

2011 SENATE FINANCE AND TAXATION

SB 2178

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2178  
January 24, 2011  
13248

Conference Committee

Committee Clerk Signature *Veronica Spaulding*

### Explanation or reason for introduction of bill/resolution:

Relating to a reduction in income tax rates for individuals, estates, and trusts; and to provide an effective date

### Minutes:

Three Attachments

**Vice Chairman Miller** opened the hearing on SB 2178.

**Senator Cook**, District 34, introduced the bill. Many states have huge deficits, California, New York, Illinois, and Texas included. This bill will not negatively affect our state. We have a sound tax policy. I am cautiously confident that we can lower taxes even further and continue to drive a strong economy. That is what SB 2178 does. It simply lowers every personal income tax bracket .21%. He urged passage of the bill.

**Ryan Bernstein**, Deputy Chief of Staff and Legal Counsel for Governor Dalrymple, presented written testimony in support of SB 2178. (See attached testimony A)

**Senator Triplett**: Are you familiar with other tax bills that are being presented in this session some of which were to increase the low level at which the people begin to pay income taxes? Have you had a chance to look at the other bills that are out there?

**Ryan Bernstein**: I am not very familiar with them.

**Donita Wald**, Legal Council with the State Tax Department, handed out an amendment that is being proposed to fix a typographical error. (See attached testimony B.)

**Bill Shalhoob**, representing the North Dakota Chamber of Commerce, presented written testimony in support of SB 2178. (See attached testimony C.) He mentioned that there is a proposal for real estate taxes in the bill and for income tax. But there is no break for those paying corporate income tax. He would like to see that addressed also.

**Sandy Clark**, representing North Dakota Farm Bureau, spoke in support of the bill. Income tax reduction is good tax policy for the state. When we have surplus funds, it is time to return it to the taxpayers. It is the taxpayers' money. We also believe the cuts in income tax

should be coupled with corresponding cuts in spending. With the establishment of the Legacy Fund, tax policy should include savings for rainy day funds, returning money to the taxpayers, and corresponding cuts in government spending.

No further action was taken

**Chairman Cook** closed the hearing on SB 2178.



# FISCAL NOTE

Requested by Legislative Council  
01/12/2011

Bill/Resolution No.: SB 2178

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			(\$50,000,000)			
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).*

SB 2178 reduces all individual income tax rates by .21 percent.

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.*

Section 1 of HB 2178 reduces the individual income tax rates in each bracket for each filing status .21%. This is expected to reduce state general fund revenues by an estimated \$50 million during 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.*

The fiscal impact of HB 2178 is 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:	01/17/2011

11.8193.01001  
Title.02000

Adopted by the Finance and Taxation  
Committee

February 8, 2011



Handwritten signature and date: 2-8-11

PROPOSED AMENDMENTS TO SENATE BILL NO. 2178

Page 2, line 11, replace "\$373,150" with "\$379,150"

Renumber accordingly

Date: 2-8-11  
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2178

Senate 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 Senator Miller Seconded By Senator Triplett

Senators	Yes	No	Senators	Yes	No
Dwight Cook - Chairman			Jim Dotzenrod		
Joe Miller - Vice Chairman			Connie Triplett		
Randy Burckhard					
David Hogue					
Dave Oehlke					

Total (Yes) 7 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

Verbal vote

Date: 2-8-11  
Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2178

Senate 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 Senator Miller Seconded By Senator Burckhard

Senators	Yes	No	Senators	Yes	No
Dwight Cook - Chairman	X		Jim Dotzenrod		X
Joe Miller - Vice Chairman	X		Connie Triplett		X
Randy Burckhard	X				
David Hogue	X				
Dave Oehlke	X				

Total (Yes) 5 No 2

Absent 0

Floor Assignment Senator Cook

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

**REPORT OF STANDING COMMITTEE**

**SB 2178: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2178 was placed on the Sixth order on the calendar.

Page 2, line 11, replace "\$373.150" with "\$379.150"

Renumber accordingly

2011 SENATE APPROPRIATIONS

SB 2178

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

SB 2178 hearing  
02-14-2011  
Job # 14533

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL relating to a reduction in income tax rates for individuals, estates and trusts.

### Minutes:

You may make reference to "attached testimony."

**Chairman Holmberg** called the committee to order on Monday, February 14, 2011 in reference to SB 2178. **Joe Morrissette, OMB and Brady Larson, Legislative Council** were present.

**Senator Cook**, District 34, introduced SB2178 and asked for favorable support. The governor's income tax bill (\$50 million reduction), lowers every bracket by 0.21% and came out of committee with unanimous approval. When it comes to tax policy, we want it to be predictable, consistent, and stable. Best tax policy is one that people can look at, they know what it is trust it is going to stay that way, and nice downward trend, this bill meets that. Urge a Do Pass. Just how much tax we deliver--too much, not be able to sustain it, this bill meets this test.

**Chairman Holmberg:** The committee is well aware of the bill and also of your passion on the predictability and stability in the tax structure. Know this is probably one of the important and popular is the property tax reduction bill, if we want to protect that, the people support--both political parties support, we want to be very careful with our base tax structure, otherwise if we go too far we are faced with a situation of either having to cut a popular program or raise taxes; would you say that is a concern and one of the reasons why you feel that the \$50 million in here is sustainable and important?

**Senator Cook:** We have a tax reduction policy that we put into place that costs more each session, the reason I am down here in appropriations is we have to watch the spending. We are very fiscally restrained and doing some very sound policy for the tax payers of ND.

**Chairman Holmberg:** Any questions for Senator Cook? We will not be passing this out right now; we need to look at this and a number of other tax bills so it will be next week. Anyone else testifying on 2178? The hearing was closed on SB 2178. The roll call vote for SB 2070 is also on this job.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee  
Harvest Room, State Capitol

SB 2178  
February 17, 2011  
Job # 14705 (Meter starting at 100:15)

Conference Committee

Committee Clerk Signature

*Rose Lansing*

## Explanation or reason for introduction of bill/resolution:

A committee vote on SB 2178 - a reduction in income tax rates for individuals, estates and trusts.

## Minutes:

You may make reference to "attached testimony."

**Chairman Holmberg** opened the committee hearing on SB 2178 and said this is the Governor's bill on income tax reduction for \$50M.

**Senator Wardner** moved Do Pass on SB 2178.  
**Senator Wanzek** seconded.

A Roll Call vote was taken. Yea: 11 Nay: 2 Absent: 0  
Motion carried.

The bill goes to the Finance & Tax committee and Senator Cook will carry the bill.

Date: 2-17-11  
 Roll Call Vote # \_\_\_\_\_

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2178

Senate Appropriations 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 Wardner Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson		✓
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele		✓			
Senator Wanzek	✓				

Total (Yes) 11 No 2

Absent \_\_\_\_\_

Floor Assignment Finance + Tax Cook

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

**REPORT OF STANDING COMMITTEE**

**SB 2178, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)**  
recommends **DO PASS** (11 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed SB 2178 was placed on the Eleventh order on the calendar.

2011 HOUSE FINANCE AND TAXATION

SB 2178

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2178  
March 7, 2011  
#15017

Conference Committee

Committee Clerk Signature

*Mary Brucher*

## Explanation or reason for introduction of bill/resolution:

A bill relating to a reduction in income tax rates for individuals, estates, and trusts; and to provide an effective date.

## Minutes:

*See attached testimony #1, #2.*

**Senator Cook:** Introduced bill. Support. I was on a conference call and was talking to a Senator from Indiana who asked the biggest tax issue in North Dakota and I told him that we were going to have a big discussion on how large our income tax reduction bill should be. This Senator and others were not very pleased with my answer and I regretted giving it to them. The point is that the discussion we are about to have here about how large of an income tax should we give the citizens of North Dakota is a discussion that's not happening anywhere else in the United States. We can be thankful that it is happening here because we are very fortunate in this state right now as our economy is running well and we have a surplus. We are the envy of a lot of our fellow states and fellow legislators. It is a good time to be in North Dakota. There are a lot of people and a lot of reasons they say our economy is doing so well; some will say we got lucky and we got a lot of oil. Some will say its agriculture and some will argue that we have managed to diversify our economy. I think some could argue that it is sound tax policy. I would certainly argue that tax policy is a major driver of an economy. I could argue that some tax changes we made a few sessions ago that put an incentive for oil companies to go into the Bakken and took the risks that it took and spent \$8 million to drill a well when they didn't know what they were going to do had a lot to do with the economy we have. I can look back at tax policy that we have put in place to target certain industries which would certainly help to lead to the diversification we found in this state. I think bad tax policy can certainly hurt an economy. The debate we are going to have here is about tax policy and it's about income tax reduction. I would also argue another reason why an economy is doing so well is because of the fantastic and the large number of people we have in the state who get up in the morning and strap on their boots and go to work and contribute. They go to work and do everything they can to make this a better place to live. They are earning income and they are paying taxes. I think maybe what we have here is a bill that is going to say thank you and lower that tax burden that they are faced with. I think we all know that the major argument we are going to have and the major question we have to answer is whether or not it is sustainable. I believe that three main elements of sound tax policy is predictable, consistent, and stable. I would say the worst thing we could do is lower our income tax and find out a few years down the road

that we can't sustain it then we find ourselves in a position where we have to raise it or that it even gives us an indication that it is unstable and will have to be raised. Whatever it is we are going to start the discussion of how much income tax reduction we give. The Governor got us started with \$50 million in his budget and I put my name on this bill and this is the bill we have before us right now. We are well aware of the bill you sent over to us so its going to be easy for me to tell you that we can sustain \$50 million since you've already sent one to us that says you believe we can sustain \$100 million. I would argue that the real discussion we are going to have on this issue will start later this week across the hall when somebody from this side of the chamber comes over and argues why you believe \$100 million is sustainable. Whatever it is let the discussion begin because at some point we are all going to go home and agree that we are going to give income tax reduction to the citizens of North Dakota. I would hope that as we move towards that end that we do it very carefully and wisely with a lot of thought and that we go home with the confidence that whatever it is that we deliver we can truly sustain. I look forward to the discussions.

**Representative Dave Weiler:** Was this bill changed in the Senate and if so, what was the change?

**Senator Cook:** This is the original version, we made no changes.

**Representative Glen Froseth:** It says on the bill that it is the first engrossed version.

**Senator Cook:** It was simply a typo.

**Representative Steven L. Zaiser:** I certainly agree that the state of North Dakota is in a great economic condition. It certainly bares a debate whether we reduce the income tax and how much. In light of the citizens of the state voting and saying we didn't want income tax reduction, we wanted a property tax reduction, we are still going forward with that and I was wondering if you considered this at all?

**Senator Cook:** I'm not sure where the citizens weighed if the vote that they didn't want income tax reduction. Am I missing something here? I don't recall any vote where the citizens of North Dakota voted against income tax reduction. I'm well aware that property tax reduction is foremost on their mind. I can remember a campaign not too long ago where a bunch of legislators were running for re-election and their campaign brochures said they supported income tax reductions and they got elected. I don't recall anybody saying if you elect me I'll fight not to do it.

**Representative Steven L. Zaiser:** It was a 2008 election where there was a referendum on the ballot that talked about property tax decrease versus an income tax decrease.

**Senator Cook:** I missed it.

**Representative Steven L. Zaiser:** Let's assume that it is out there. The public sector cannot create jobs but I believe the public sector can help seed and diversify the economy by creating incentives. I think given the fact that we have a good economy now perhaps this would be a time to seed and diversify our economy if there's any way we could use

existing money to do that. I'm not exactly an expert on where we would go but I'm just wondering if there might be some money in the state coffers that might assist in that endeavor. I'm curious to your thoughts on that.

**Senator Cook:** I think in my opening comments I referenced that we have done a fair amount of that with tax credits and tax policy that focused on certain areas. I think that is an ongoing policy question that those of us sitting in the tax committees have to discuss.

**Ryan Bernstein, Deputy Chief of Staff and Legal Counsel for Governor Dalrymple:** Support. Please refer to attached testimony #1.

**Vice Chairman Craig Headland:** Explain the second part of your testimony on the 21 basis points. What I read there is that the relief in the 21 basis points is not equal in all brackets.

**Ryan Bernstein:** My understanding that each tax bracket has a different tax percentage on it. That tax percentage is lowered by .21 percent so it changes the effective tax percent rate per each category difference. Some are close to 10% and some are about 4% so in each category the percentage of tax relief varies. The percentage that each tax bracket is lowered is a constant 21 basis points.

**Vice Chairman Craig Headland:** The majority of the relief falls on the lower brackets?

**Ryan Bernstein:** Yes. Seventy percent of the people are receiving the 9%, the higher tax percentage.

**Representative Dave Weiler:** I'm having a little problem figuring this out in the third paragraph where you say "This produces a total of \$900 million in cumulative tax relief in the two biennia." I understand how there is a \$300 million and then the \$350 million and the \$100 million last biennium and the \$150 million would be the total. It seems to me as though you are counting these numbers twice. You are counting the \$300 million property tax last biennium and you're counting it again and counting the \$100 million versus the \$150 million and making it \$150 million when it's only \$50 million increase. I don't want the taxpayers to get confused over this and think that they are actually getting \$900 million in tax relief. If the 2009-11 biennium higher education got a \$200 million increase in their general fund spending and this biennium we gave them a \$200 million increase in their general fund spending do they look at that and think they got a \$400 million this biennium? They don't look at it that way. If we are not able to do that and we don't do that on the spending side of things I think it is incorrect to mislead the taxpayers and tell them that when it comes to tax decreases they are getting \$900 million in tax relief. The way I look at it they are getting \$50 million from the property tax relief, actually \$46 million, and they are getting an additional \$50 million under this plan so they are only getting \$100 million increase in tax relief this biennium. I just wanted to make that comment. If we can't count it on the spending side I don't think it's fair to make the numbers fuzzy and count that on the tax relief side.

**Ryan Bernstein:** I think it is important that the people of North Dakota recognize the good work the legislature has done in the past couple years. The tax relief that was provided in

the past session does not sunset, especially when we talk about the income tax. We want to make sure that the continued work of this legislature is recognized and the ongoing reduction of tax relief as we move forward. You are correct that this bill proposes \$50 million for this biennium. The income tax reduction provided last session does not sunset so as a cumulative nature of what the legislature has been doing the last biennia and I think it is important for people to recognize that the legislature is continuing to do more than just one biennium at a time.

**Representative Dave Weiler:** I agree and maybe sometimes we should let people know how much tax relief they are getting but at the same time we should also let them know that higher education is getting \$400 million more this biennium than they did four years ago. We just need to be honest with the people and not mislead them.

**Representative Roscoe Streyle:** I've heard the word "sustainable" and what I think is unsustainable is increasing these budgets by 20-30% this last biennium or 80-90% these last six years. What is your comment on trying to control some of this spending and giving more of the money back to the taxpayers instead of using the word "sustainable on the revenue." Is it even sustainable on the spending side?

**Ryan Bernstein:** It's a good point you bring up. When the Governor proposed his budget he wanted to make sure the whole budget inclusive was sustainable and that is funding priority setting aside reserves and putting forward tax relief to the people of North Dakota. When we put that budget together the whole package is sustainable at that point. We think he put together a good budget and it's great that we are here and able to talk about tax relief and determining how big that tax relief should be. We welcome this conversation. We look forward to the continued dialogue on how big that tax relief should be.

**Vice Chairman Craig Headland:** Last session we gave an equal percentage in each bracket. Can you give us the Governor's rationale and why he decided to change that?

**Ryan Bernstein:** What we did on this one was made sure it was a 21 basis point reduction across the brackets and that turns out to be about 70% of the people receiving the larger percentage of the tax relief. We thought this is a way to get most of the tax relief back to most of the people in this bill.

**Representative Roscoe Streyle:** The Governor's stance is that we don't want across the board 15% reduction we want to do it on 21 basis points?

**Ryan Bernstein:** It's a good conversation to have and it's a good starting point the \$50 million. The way we proposed it was the 21 basis points and that gives most of the money back to 70% of the people.

**Dustin Gawrylow, ND Taxpayers Association:** I appreciate Senator Cook's leadership and I think I will follow him and just ignore what happened with measure 2 as well. From a standpoint of this whole discussion the House a couple weeks ago passed the \$150 million tax cut plan for personal and corporate income tax and I think that was a good starting point. When it gets to the conference committee discussion I think the House is going to want to have some leverage in that discussion. My suggestion to this committee would be

to increase the total impact of this bill to at least the \$150 million and tie it into what has already been passed out of the House, or even higher than that so there is a little bit of working and negotiating space. The discussion on adding these tax deductions over the last several biennium up is valid only when taken into account and mention that revenues from all the taxes, income and sales, revenues have gone up over 60% in the last 10 years. If we are going to add up the amount of relief that's been given in the last couple biennium we should also take into account the fact that it is nowhere near the dollar figure that revenues have increased and the percentage revenues have increased either. If we add in what happened last session, roughly a 15% decrease in income tax, to the decrease that was passed out of the House this session already is roughly 30% overall which is only about half of what the revenues have increased over the last decade. It's not a large impact compared to what we've seen in the overall economy. We need to make sure that the legislature can leave this session and genuinely tell the voters that there have been considerable decreases with the \$50 million in comparison to the overall budget and the spending that is going on is just a drop in the bucket. It is so small that it is almost laughable I think in a lot of ways. Two weeks ago the minority party suggested we take the \$46 million that has been added on in the projected revenue from oil and tack it on to the whole program for tax relief. If that was added on top of what the House had already passed that would be a fine idea. I think it was suggested by them that it was an alternative and it shouldn't be an alternative if its part of the overall package and that makes it more bipartisan and can get some support from the minority party that would be a sustainable plan because it was just taking it from one biennium. Senator Cook mentioned also that the sustainability of these tax cuts. The only thing in question as far as this is the overall spending that is going on in the session in comparison and in addition to what happened last session. That is the real problem and has increased more than the revenues have increased over the last decade so that needs to be taken into account.

**Representative Steven L. Zaiser:** How do you feel about concurring with Senator Cook in stating we should ignore the vote of the people? I find that sort of bewildering that comment but if you would share your response to mine I would appreciate it.

**Dustin Gawrylow, ND Taxpayers Association:** I think at when you look at what the voters rejected that was a 50% across the board for personal income tax and 15% for corporate income tax. That was already going on figures that were two biennium ago. We've seen the revenues from those two areas increase drastically even including last session we saw the 15% reduction in rates for personal income taxes yet revenues still went up 3%. The revenue was going up faster than the taxes were being cut. When you take that into a historical perspective the state should be trying to even that out and keep the revenue neutrality of its demands on the people level with what the economy is doing. If you look at it on a historical basis over the last 10 years in the earlier part of the last 10 years the revenue wasn't matching what the state needed and the latter half of those 10 years it was far in excess, double or triple of what it needed on the income tax side alone. We've got to try and find a way to balance that out so that when those income tax revenues come in there is an effort to reduce the rates pretty close to equal to what those have gone up because we need to keep that money in the system so that it is self perpetuating and it grows even faster. With what regard the people said I would say that at that time they didn't understand the full aspect of it because those of us who were promoting it did not

make the sale and in the grand scheme of things that is what happened we didn't make the sale and we were up against some pretty heavy hitters on the opposition side.

**Representative Steven L. Zaiser:** I still didn't hear why you would ignore the vote of the people. That is a pretty strong word.

**Dustin Gawrylow, ND Taxpayers Association:** I don't think we want to ignore but we want to take into account that the situations changed and since that vote occurred we've seen 30% increase in state spending and this session we are looking at that with one time spending is included. That is almost a 50% hike in spending. Whether or not the people said not to cut income taxes 50% a few years ago shouldn't really have any bearing on whether we cut it 15% or 20% now because the economy has continued to grow and the money is there. If this legislature walks away with spending increases higher than tax decreases there is going to be some political problems for some people and elected officials. There has to be an effort to continually reduce that burden of government on the people.

**Representative Steven L. Zaiser:** I would concur with you. The other statement you made that I find somewhat perplexing is that granted you talked about the minority party, I'm assuming you mean the Democratic Party, said that what they had proposed was laughable. To some people small tax decrease is important. Not everybody makes \$100,000 as some people live on \$15,000 or \$20,000. It's critical as they are the people that need it the most. Perhaps that's why Senator Cook and the Governor proposed this because it helps the people on the lower end of the socioeconomic strata the most.

**Dustin Gawrylow, ND Taxpayers Association:** I wasn't calling the democratic plan laughable; I was calling this bill of just having \$50 million worth of tax decreases relative to overall spending package to be laughable. If that is on top of what's already been passed I think it is a fine deal because it is a onetime credit and it targets that lower income. It smoothes out any qualms the other side might have about the other \$150 million and if it is tacked on I think it's an overall solid package and it should go as far as we can get it through the House. That will give anybody who is on the conference committee a little more leverage from the House side to get that overall package for everybody.

**Bill Shalhoob, ND Chamber of Commerce:** Support. Please refer to attached testimony #2. I think that the 2008 election said two things; at that point in time the citizens of North Dakota did not consider a 50% reduction in personal incomes tax was appropriate and that should be listened too, however, if we look at the situation in 2010 things have changed a lot. I'm guessing the oil production in 2008 was nowhere near north of the \$2 billion of where we are now. There weren't projections out there that were going to say that according to industry experts we are looking at approximately between \$3.5 and 4 billion in oil tax revenue to this state when we reach the top point of this. You are all familiar with the declining curves in the oil fields and the extra drilling and all that other kind of stuff so if that is where we are at...it starts to answer the questions you have as to how much right now and how much of it are we going to sustain. I don't know what the blip in oil caused in extra revenue from \$70-\$100 a barrel over this next few months or this last few weeks but it has to be significant for North Dakota. When we start to bring in those kinds of discussions where the industries are saying we want to find a number that is appropriate for this point in

time. We believe that the \$100 million is the minimum in the personal income tax size and we believe that it could be higher. When we talk about raising curves when you passed the last session the personal income tax was at about \$680 million and you gave \$90 million in relief which should have lowered that number down to around \$590 million. This session's forecast projects the collections at about \$616 million so we can see a decrease when money is pumped back into the economy is not necessarily a complete decrease in that as it does move through the economy and creates more revenue for the state. It's hard to factor all those things in but it also factors in as high of tax cuts as we think we can give and that's the only point that we are here to make today. We think this committee was right on and raising it in HB1289 and we'd hope you'd consider raises that are even more.

**Kelvin Hullet, President of the Bismarck-Mandan Chamber of Commerce:** Support. I want to give you a real world example that we are working with right now related to this issue. For the last couple of years we have been talking with a company out of Washington, a software development company, who currently have about 50 employees and hopefully grow to 100 employees by the end of the year and by 2014 hope to be around 400 employees. The owner of this company likes to hunt and so he really likes North Dakota and we've had him out here to hunt. We were on the phone with him last Thursday and he has about four or five companies that are currently recruiting him. His top offer is about \$10,000 per job to move his company into those various states. We don't really do that here in North Dakota where we are going to go \$10,000 a job or something like that. We were able to talk to him about the tax reduction that the legislature did in 2009 and the tax reduction we are looking at in 2011. Then that is really comparable to what he was looking at in other places. This conversation with the state of the national economy is very important related to how we grow, attract, and retain businesses.

**Representative Dave Weiler:** He's been offered \$10,000 per job. Who's offering him that?

**Kelvin Hullet:** It is deficit spending in states that are very strapped with their low unemployment rate and so they have come up with packages where they are recruiting the incentives.

**Sandy Clark, ND Farm Bureau:** Support. We have stood before you on these bills. We don't have a particular dollar amount. We like the bill the House passed and we think it can be more than the \$50 million that is in here but we will stand in support of any bill that comes with a tax cut. Philosophically our statement would be that we think this bill is good for the state and is good state policy. We think good fiscal policy includes a reduction in taxes, cuts in government spending, and then save some through a medium like the voters established with the legacy fund. We urge a Do Pass recommendation on this bill and get it to conference committee to get a chance to hammer out some dollar amounts.

**Chairman Wesley R. Belter:** No further testimony. Closed hearing on SB 2178.

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2178  
March 28, 2011  
#16068

Conference Committee

Committee Clerk Signature

*Mary Brucher*

## Explanation or reason for introduction of bill/resolution:

A bill relating to a reduction in income tax rates for individuals, estates, and trusts; and to provide an effective date.

## Minutes:

*See attached amendments.*

**Vice Chairman Craig Headland:** Distributed and reviewed amendments 02004. Please refer to attached amendments. The amendment hog houses 2178 to the house's version of the two bills they passed for income tax relief. It also contains the portion of \$50 million reduction for corporate and the 15% reduction for individual income tax. I will move the amendments.

**Representative Roscoe Streyle:** **Seconded.**

**Representative Shirley Meyer:** Is it the \$150 million?

**Vice Chairman Craig Headland:** Yes it is. There is one change in the percent of the corporate due to what the \$179 reduction that they did on the fiscal impact relative to that \$46 million that they reduced. In order to achieve \$50 million in corporate income tax we had to further lower the rate from 4.9 to 4.4%. That's in section 1 B.

**Representative Shirley Meyer:** So in addition to the \$46 million that was extended this will be \$50 million in addition to the \$46 million?

**Vice Chairman Craig Headland:** I have to think about that a little bit. The \$46 million was for the biennium, correct?

**Representative Shirley Meyer:** Correct. But is this in addition to the \$46 million that they can expense out 100% versus the 50, so that's a tax liability of \$46 million to the state for the biennium. By changing this percentage is that \$50 million in addition to the \$46 million?

**Vice Chairman Craig Headland:** I would assume it would be but it would have been at 4.9% too. It's just that legislative counsel and the tax department with the reduction of the \$46 million and a percentage when you have a smaller pot the percentage is going to

reduce less. That number went from \$50 million to \$38.5 million with that \$46 million reduction. This amendment puts it back so our package is \$150 million.

**Representative Steven L. Zaiser:** Correct me if I'm wrong, this is essentially the same as our bill.

**Vice Chairman Craig Headland:** This will mirror the reduction that we passed in the first half.

**A voice vote was taken to adopt the amendment: MOTION CARRIED.**

**Vice Chairman Craig Headland:** I would move a **DO PASS AS AMENDED ON SB 2178.**

**Representative Dave Weiler: Seconded.** Representative Headland, a session ago when the governor's proposed tax cut came out he was putting it on a per basis point, in other words all the brackets on the individual income tax were not the same. The lower income bracket of those that paid income tax got a bigger percentage tax break than those in the upper bracket. We changed that to reflect an equal percentage across the board. Is that the way this amendment is?

**Vice Chairman Craig Headland:** That would be correct.

**A roll call vote was taken: YES 11 NO 3 ABSENT 0  
MOTION CARRIED FOR DO PASS AS AMENDED.**

**Vice Chairman Craig Headland will carry SB 2178.**

**\*Per Chairman Belter on March 29, 2011 we will hold this bill until we can discuss again as a committee.\***

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2178  
March 29, 2011  
#16143

Conference Committee

Committee Clerk Signature

*Mary Bruden*

## Explanation or reason for introduction of bill/resolution:

A bill relating to a reduction in income tax rates for individuals, estates, and trusts; and to provide an effective date.

## Minutes:

*No attachments.*

**Vice Chairman Craig Headland:** I would move we reconsider our action on SB 2178.

**Chairman Wesley R. Belter:** We have motion from Representative Headland to reconsider our action whereby we passed SB 2178. Is there a second?

**Representative Patrick Hatlestad:** Seconded.

**A voice vote was taken: MOTION CARRIED TO RECONSIDER OUR ACTION.**

**Vice Chairman Craig Headland:** As much as I hate to see my name on a bill that I'm going to ask that we defeat I guess I'm going to do that so I move a DO NOT PASS ON SB 2178. Do we have to do anything else before this? Do we have to strip the amendments?

**Chairman Wesley R. Belter:** If we've reconsidered our action I believe we've stripped the amendments off that we put on.

**Representative Lonny B. Winrich:** No we haven't.

**Vice Chairman Craig Headland:** I move we reconsider our amendment.

**Representative Bette Grande:** Seconded.

**A voice vote was taken: MOTION CARRIED.**

**Chairman Wesley R. Belter:** We have 2178 before us.

**Representative Dave Weiler:** There was a bill in the senate finance and tax committee that was heard regarding the oil tax being lowered based on production. Would it be in order to attempt to hog house this bill and amend it with that? Or can we not do that?

**Chairman Wesley R. Belter:** If you have the votes you can do anything.

**Representative Dave Weiler:** I would move that we hog house this and place in those amendments. Let's just let this go. I think I'll take that back.

**Chairman Wesley R. Belter:** Thank you.

**Vice Chairman Craig Headland:** I guess the reason that I'm asking to reconsider this bill is that we passed a package over to the senate that I think clearly states the house's intention so I don't think there's a need for us to have two bills out there. For that reason I am going to ask for a **DO NOT PASS**.

**Representative Patrick Hatlestad: Seconded.**

**Representative Glen Froseth:** Just for clarification, the bill we passed that's in the senate is for \$100 million tax reduction and this is for \$50 million. If this goes to the floor and the Do Not Pass is overturned so it passes and the senate either passes or defeats our bill we will have two bills that pass in different amounts. What happens then?

**Chairman Wesley R. Belter:** If both of them passed?

**Representative Glen Froseth:** Yes or both of them failed. This bill now is back to \$50 million and the bill the senate has is \$100 million. If they both pass or if they both fail what is the end result?

**Chairman Wesley R. Belter:** If they both fail I would highly suspect there would be a delayed bill introduced. If they both pass that is not likely to happen. The one that passes last or whichever one the governor signs last. There is a difference between the two bills because the senate bill has both personal and corporate where this is only personal.

**Representative Glen Froseth:** There would still be an opportunity to go to conference committee.

**Chairman Wesley R. Belter:** Yes. If they failed there would not be a conference committee. I can assure you there would be a vehicle. Any further discussion?

**A roll call vote was taken: YES 9 NO 4 ABSENT 1  
MOTION CARRIED FOR DO NOT PASS.**

**Vice Chairman Craig Headland will carry SB 2178.**

VR  
3/28/11  
1084

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2178

Page 1, line 1, after "reenact" insert "section 57-38-30 and"

Page 1, line 2, after "for" insert "corporations,"

Page 1, after line 4, insert:

**"SECTION 1. AMENDMENT.** Section 57-38-30 of the North Dakota Century Code is amended and reenacted as follows:

**57-38-30. Imposition and rate of tax on corporations.**

A tax is hereby imposed upon the taxable income of every domestic and foreign corporation which must be levied, collected, and paid annually as in this chapter provided:

1. a. For the first ~~twenty-five~~seventy-five thousand dollars of taxable income, ~~at the rate of two and one-tenth percent~~no tax.
- b. On all taxable income exceeding ~~twenty-five~~seventy-five thousand dollars ~~and not exceeding fifty thousand dollars~~, at the rate of ~~five~~four and ~~twenty-five hundredths~~four-tenths percent.
- ~~c. On all taxable income exceeding fifty thousand dollars, at the rate of six and four-tenths percent.~~
2. A corporation that has paid North Dakota alternative minimum tax in years beginning before January 1, 1991, may carry over any alternative minimum tax credit remaining to the extent of the regular income tax liability of the corporation for a period not to exceed four taxable years."

Page 1, remove lines 20 through 23

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 31

Page 4, replace lines 1 through 10 with:

"If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$33,950</del> <u>\$34,500</u>	<del>4.84%</del> <u>1.56%</u>
Over <del>\$33,950</del> <u>\$34,500</u>	<del>\$624.68</del> <u>\$538.20</u> plus <del>3.44%</del> <u>2.92%</u>
but not over <del>\$82,250</del> <u>\$83,600</u>	of amount over <del>\$33,950</del> <u>\$34,500</u>
Over <del>\$82,250</del> <u>\$83,600</u>	<del>\$2,286.20</del> <u>\$1,971.92</u> plus
<del>3.81%</del> <u>3.24%</u>	
but not over <del>\$171,550</del> <u>\$174,400</u>	of amount over <del>\$82,250</del> <u>\$83,600</u>

2084

Over <del>\$171,550</del> <u>\$174,400</u>	<del>\$6,688.53</del> <u>\$4,913.84</u> plus
4.42% <u>3.76%</u>	
but not over <del>\$372,950</del> <u>\$379,150</u>	of amount over
<del>\$171,550</del> <u>\$174,400</u>	
Over <del>\$372,950</del> <u>\$379,150</u>	<del>\$14,590.41</del> <u>\$12,612.44</u> plus
4.86% <u>4.13%</u>	
	of amount over
<del>\$372,950</del> <u>\$379,150</u>	

b. Married filing jointly and surviving spouse.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$56,750</del> <u>\$57,700</u>	1.84% <u>1.56%</u>
Over <del>\$56,750</del> <u>\$57,700</u>	<del>\$1,044.20</del> <u>\$900.12</u> plus
3.44% <u>2.92%</u>	
but not over <del>\$137,050</del> <u>\$139,350</u>	of amount over <del>\$56,750</del> <u>\$57,700</u>
Over <del>\$137,050</del> <u>\$139,350</u>	<del>\$3,806.52</del> <u>\$3,284.30</u> plus
3.81% <u>3.24%</u>	
but not over <del>\$208,850</del> <u>\$212,300</u>	of amount over
<del>\$137,050</del> <u>\$139,350</u>	
Over <del>\$208,850</del> <u>\$212,300</u>	<del>\$6,542.10</del> <u>\$5,647.88</u> plus
4.42% <u>3.76%</u>	
but not over <del>\$372,950</del> <u>\$379,150</u>	of amount over
<del>\$208,850</del> <u>\$212,300</u>	
Over <del>\$372,950</del> <u>\$379,150</u>	<del>\$13,795.32</del> <u>\$11,921.44</u> plus
4.86% <u>4.13%</u>	
	of amount over
<del>\$372,950</del> <u>\$379,150</u>	

c. Married filing separately.

If North Dakota taxable income is:	The tax is equal to:
Not over <del>\$28,375</del> <u>\$28,850</u>	1.84% <u>1.56%</u>
Over <del>\$28,375</del> <u>\$28,850</u>	<del>\$522.10</del> <u>\$450.06</u> plus 3.44% <u>2.92%</u>
but not over <del>\$68,525</del> <u>\$69,675</u>	of amount over <del>\$28,375</del> <u>\$28,850</u>

Over ~~\$68,525~~\$69,675

~~\$1,903.26~~\$1,642.15 plus

~~3.81%~~3.24%

but not over ~~\$104,425~~\$106,150

of amount over ~~\$68,525~~\$69,675

Over ~~\$104,425~~\$106,150

~~\$3,271.05~~\$2,823.94 plus

~~4.42%~~3.76%

but not over ~~\$186,475~~\$189,575

of amount over \$104,425

Over ~~\$186,475~~\$189,575

~~\$6,897.66~~\$5,960.72 plus

~~4.86%~~4.13%

of amount over

~~\$186,475~~\$189,575

d. Head of household.

If North Dakota taxable income is:

The tax is equal to:

Not over ~~\$45,500~~\$46,250

~~1.84%~~1.56%

Over ~~\$45,500~~\$46,250

~~\$837.20~~\$721.50 plus ~~3.44%~~2.92%

but not over ~~\$117,450~~\$119,400

of amount over ~~\$45,500~~\$46,250

Over ~~\$117,450~~\$119,400

~~\$3,312.28~~\$2,857.48 plus

~~3.81%~~3.24%

but not over ~~\$190,200~~\$193,350

of amount over

~~\$117,450~~\$119,400

Over ~~\$190,200~~\$193,350

~~\$6,084.06~~\$5,253.46 plus

~~4.42%~~3.76%

but not over ~~\$372,950~~\$379,150

of amount over

~~\$190,200~~\$193,350

Over ~~\$372,950~~\$379,150

~~\$14,161.61~~\$12,239.54 plus

~~4.86%~~4.13%

of amount over

~~\$372,950~~\$379,150

e. Estates and trusts.

If North Dakota taxable income is:

The tax is equal to:

Not over \$2,300

~~1.84%~~1.56%

Over \$2,300

~~\$42.32~~\$35.88 plus ~~3.44%~~2.92%

but not over ~~\$5,350~~\$5,450

of amount over \$2,300

4084

Over ~~\$5,350~~\$5,450

~~\$147.24~~\$127.86 plus ~~3.81%~~3.24%

but not over ~~\$8,200~~\$8,300

of amount over ~~\$5,350~~\$5,450

Over ~~\$8,200~~\$8,300

~~\$255.83~~\$220.20 plus ~~4.42%~~3.76%

but not over ~~\$11,150~~\$11,350

of amount over ~~\$8,200~~\$8,300

Over ~~\$11,150~~\$11,350

~~\$386.22~~\$334.88 plus ~~4.86%~~4.13%

of amount over ~~\$11,150~~\$11,350"

Renumber accordingly

Date: 3-28-11  
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2178

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
2004  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Headland Seconded By Rep. Streyle

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) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

VOICE VOTE  
MOTION CARRIED.

Date: 3-28-11  
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2178

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. Headland Seconded By Rep. Weiler

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) 11 No 3

Absent 0

Floor Assignment Rep. Headland

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

Date: 3-29-11  
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2178

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 decision on Do Pass

Motion Made By Rep. Headland Seconded By Rep. Hatlestad

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) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

VOICE VOTE  
MOTION CARRIED.

Date: 3-29-11  
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2178

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 remove amendments from 3-28-11

Motion Made By Rep. Headland Seconded By Rep. Grande

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) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

VOICE VOTE  
MOTION CARRIED.

Date: 3-29-11  
Roll Call Vote # 3

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2178

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. Headland Seconded By Rep. Hatlestad

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	AB				
Roscoe Streyle	✓				
Wayne Trottier	✓				
Dave Weiler	✓				
Dwight Wrangham	✓				

Total (Yes) 9 No 4

Absent 1

Floor Assignment Rep. Headland

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

**REPORT OF STANDING COMMITTEE**

**SB 2178, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)**  
recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING).  
Engrossed SB 2178 was placed on the Fourteenth order on the calendar.

2011 TESTIMONY

SB 2178

Mr. Chairman and member of the committee. My name is Ryan Bernstein and I am the Deputy Chief of Staff and Legal Counsel for Governor Dalrymple. I am pleased to be here today in support of Senate Bill 2178.

North Dakota is in a good position with a budget surplus in part because of sound government and in large part the hard work of its citizens. When the State can provide tax relief it should. Last biennium we reduced income taxes by \$100 million, resulting in an average 12 percent savings for North Dakota taxpayers. But we can and should do more. So in this biennium we, along with the bill sponsors, propose expanding the \$100 million in income tax relief passed last session by \$50 million for a total of \$150 million in the upcoming biennium.

Senate Bill 2178 reduces all income brackets by 21 basis points, which results in tax relief of between roughly 4 and 10 percent for the people of North Dakota – with approximately 70% of the people receiving over 9%. This plan is sustainable and is build into the recommended budget by Governor Dalrymple for the 2011-2013 biennium. It also fits into the larger tax relief proposal of expanding the \$300 million in property tax relief passed in the last session to a level of \$350 million in the upcoming biennium. This produces a total of \$900 million in cumulative tax relief over two biennia.

Low tax rates help further North Dakota's business competitiveness. As you have heard, the Beacon Hill Institute, a university think tank in Massachusetts, recently ranked North Dakota # 1 in competitiveness as measured against other states. We have the momentum and we need to keep



moving forward. When other states are looking at increasing taxes, we are cutting taxes and incentivizing people and companies to continue to move here. North Dakota is fiscally sound and able to continue providing tax relief, while building reserves and funding priorities. We are doing things right and we need to keep things moving in that direction. Passing this bill will send a great message that we are doing just that. We support this bill and hope that you, as a committee, will also support it.



**Distribution of Fiscal Impact of Governor's Proposal - Individual Income Tax Rate Reduction**  
**All Rates Reduced by .21 Percent - with -\$50 million Biennial Fiscal Impact**  
**Fiscal Impact shown by Tax Bracket and by Taxable Income Category**  
 (Based on Actual 2009 Liabilities)

Current Rate	Proposed Rate	Fiscal Impact by Tax Bracket					
		Single	Married-joint	Married-separate	Head of Household	Qual widow	Total
1.84%	1.63%	(4,143,227)	(10,242,162)	(104,478)	(598,988)	(5,479)	(15,094,334)
3.44%	3.23%	(874,296)	(3,613,028)	(35,299)	(86,256)	(1,214)	(4,610,093)
3.81%	3.60%	(270,799)	(915,285)	(8,034)	(21,784)	(267)	(1,216,169)
4.42%	4.21%	(168,410)	(915,016)	(7,832)	(19,906)	(383)	(1,111,547)
4.86%	4.65%	(360,839)	(1,624,711)	(27,911)	(57,019)	(920)	(2,071,400)
		(5,817,571)	(17,310,202)	(183,554)	(783,953)	(8,263)	(24,103,543)

In the above statistics, all filers share in the benefit of \$15.1 million in the bottom bracket, because all income is subject to taxation in the bottom bracket. It is not accurate to conclude that \$15.1 million in benefit accrues to taxpayers in the bottom bracket. In fact, it accrues to all taxpayers who have income taxed in that bracket.

An alternative method of examining the distribution of the tax relief is to view it by taxable income category, instead of by tax bracket. Here, the entire impact of all applicable rate reductions for taxpayers in the category are combined.

Taxable Income Category		Fiscal Impact by Taxable Income Category					
		Single	Married-joint	Married-separate	Head of Household	Qual widow	Total
\$0	to \$25,000	(1,713,851)	(717,436)	(41,474)	(246,853)	(1,472)	(2,721,086)
\$25,000	to \$50,000	(1,868,675)	(2,692,596)	(53,423)	(224,697)	(2,256)	(4,841,647)
\$50,000	to \$100,000	(1,110,895)	(6,040,081)	(35,481)	(142,449)	(1,568)	(7,330,474)
\$100,000	to \$250,000	(474,709)	(3,960,985)	(17,379)	(71,879)	(1,171)	(4,526,123)
\$250,000	to \$500,000	(188,886)	(1,581,760)	(10,869)	(25,218)	(73)	(1,806,806)
Over	\$500,000	(460,555)	(2,317,343)	(24,928)	(72,857)	(1,723)	(2,877,406)
		(5,817,571)	(17,310,201)	(183,554)	(783,953)	(8,263)	(24,103,542)

Taxable Income Category		Count of 2007 Taxpayers in Taxable Income Category					
		Single	Married-joint	Married-separate	Head of Household	Qual widow	Total
\$0	to \$25,000	83,912	29,699	1,781	11,800	65	127,257
\$25,000	to \$50,000	27,426	38,178	834	3,388	33	69,859
\$50,000	to \$100,000	9,937	48,312	341	1,239	12	59,841
\$100,000	to \$250,000	2,268	18,114	113	301	6	20,802
\$250,000	to \$500,000	456	3,583	43	65	2	4,149
Over	\$500,000	428	2,732	69	60	4	3,293
		124,427	140,618	3,181	16,853	122	285,201

Taxable Income Category		Average Reduction per Taxpayer in Taxable Income Category					
		Single	Married-joint	Married-separate	Head of Household	Qual widow	Total
\$0	to \$25,000	(20)	(24)	(23)	(21)	(23)	(21)
\$25,000	to \$50,000	(68)	(71)	(64)	(66)	(68)	(69)
\$50,000	to \$100,000	(112)	(125)	(104)	(115)	(131)	(122)
\$100,000	to \$250,000	(209)	(219)	(154)	(239)	(195)	(218)
\$250,000	to \$500,000	(414)	(441)	(253)	(388)	(37)	(435)
Over	\$500,000	(1,076)	(848)	(361)	(1,214)	(431)	(874)

Taxable Income Category		Average Percent Reduction per Taxpayer in Taxable Income Category					
		Single	Married-joint	Married-separate	Head of Household	Qual widow	Total
\$0	to \$25,000	-9.92%	-9.45%	-9.33%	-10.11%	-7.53%	-9.27%
\$25,000	to \$50,000	-9.81%	-9.43%	-10.40%	-10.39%	-9.73%	-9.95%
\$50,000	to \$100,000	-8.04%	-9.00%	-8.19%	-10.12%	-4.36%	-7.94%
\$100,000	to \$250,000	-6.32%	-7.52%	-5.33%	-8.21%	-5.62%	-6.60%
\$250,000	to \$500,000	-5.07%	-5.56%	-4.68%	-5.56%	-0.35%	-4.24%
Over	\$500,000	-3.93%	-3.44%	-0.89%	-3.75%	-8.27%	-4.05%

The fiscal impact shown here is computed using the actual 2009 returns filed with the Office of Tax Commissioner.

Prepared by the  
Office of the State Tax Commissioner  
January 19, 2011

PROPOSED AMENDMENT TO SENATE BILL 2178

Page 2, line 11, replace "\$373,150" with "\$379,150"

Renumber accordingly



Testimony of Bill Shalhoob  
North Dakota Chamber of Commerce  
SB 2178  
January 19, 2011

Mr. Chairman and members of the committee, My name is Bill Shalhoob and I am here today representing the North Dakota Chamber of Commerce, the principal business advocacy group in North Dakota. Our organization is an economic and geographical cross section of North Dakota's private sector and also includes state associations, local chambers of commerce, development organizations, convention and visitors bureaus and public sector organizations. For purposes of this and all Workforce Safety hearings we are also representing five local chambers with over 5,000 members. As a group we stand in support of SB 2178 and urge a do pass from the committee on this bill

The tax relief package passed in the 2009 session was welcomed by the businesses and citizens of North Dakota. We support tax levels that are justified and appropriate and believe a balanced treatment of real estate, personal and corporate taxes is fair and equitable. The \$50 million in personal income tax proposed in this bill will be welcomed but we would hope the committee and legislature will consider raising that amount to a level that more accurately reflects the income projections from other tax sources.

Thank you for the opportunity to appear before you today in support of SB 2178. I would be happy to answer any questions.

*THE VOICE OF NORTH DAKOTA BUSINESS*

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SB 2178  
House Finance and Tax

Mr. Chairman and member of the committee. My name is Ryan Bernstein and I am the Deputy Chief of Staff and Legal Counsel for Governor Dalrymple. I am pleased to be here today in support of Senate Bill 2178.

North Dakota is in a good position with a budget surplus in part because of sound government and in large part because of the hard work of its citizens. When the State can provide tax relief it should. Last biennium we reduced income taxes by \$100 million, resulting in an average 12 percent savings for North Dakota taxpayers. But we can and should do more. So in this biennium we, along with the bill sponsors, propose expanding the \$100 million in income tax relief passed last session by \$50 million for a total of \$150 million in the upcoming biennium.

Senate Bill 2178 reduces all income brackets by 21 basis points, which results in tax relief of between roughly 4 and 10 percent for the people of North Dakota – with approximately 70% of the people receiving over 9%. This plan is sustainable and is build into the recommended budget by Governor Dalrymple for the 2011 – 2013 biennium. It also fits into the larger tax relief proposal of expanding the \$300 million in property tax relief passed in the last session to a level of \$350 million in the upcoming biennium. This produces a total of \$900 million in cumulative tax relief over two biennia.

Low tax rates help further North Dakota's business competitiveness. As you have heard, the Beacon Hill Institute, a university think tank in Massachusetts,

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recently ranked North Dakota #1 in competitiveness as measured against other states. We have the momentum and we need to keep moving forward. When other states are looking at increasing taxes, we are cutting taxes and incentivizing people and companies to continue to move here. North Dakota is fiscally sound and able to continue providing tax relief, while building reserves and funding priorities. We are doing things right and we need to keep things moving in that direction. Passing this bill will send a great message that we are doing just that. We support this bill and hope that you, as a committee, will also support it.

Testimony #2



Testimony of Bill Shalhoob  
North Dakota Chamber of Commerce  
SB 2178  
March 7, 2011

Mr. Chairman and members of the committee, My name is Bill Shalhoob and I am here today representing the North Dakota Chamber of Commerce, the principal business advocacy group in North Dakota. Our organization is an economic and geographical cross section of North Dakota's private sector and also includes state associations, local chambers of commerce, development organizations, convention and visitors bureaus and public sector organizations. For purposes hearing we are also representing five local chambers with over 5,000 members. As a group we stand in support of individual income tax relief.

The tax relief package passed in the 2009 session was welcomed by the 22,000 businesses that pay their business income taxes as personal income taxes as S-corps or pass through entities as well as the individual citizens of North Dakota. We support tax levels that are justified and appropriate and believe a balanced treatment of real estate, personal and corporate taxes is fair and equitable. The \$50 million in personal income tax proposed in this bill will be welcomed but we would hope the committee and legislature will consider raising that amount to a level that more accurately reflects the income projections from other tax sources. We think this committee and the House were right on in raising the relief to approximately \$100 million in HB 1289. An increase above the \$100 million in HB 1289 should be considered for the next biennium.

Thank you for the opportunity to appear before you today in support of tax relief for North Dakota businesses and individuals. I would be happy to answer any questions.

*THE VOICE OF NORTH DAKOTA BUSINESS*

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