

**2013 HOUSE APPROPRIATIONS**

**HB 1006**

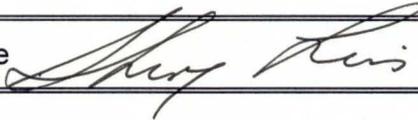
# 2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division  
Medora Room, State Capitol

HB1006  
January 17, 2013  
Recorder Job# 17359

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the tax commissioner's salary; and to provide for a transfer.

## Minutes:

**Chairman Thoreson:** Opened the hearing on HB1006.

**Cory Fong, Commissioner, ND Tax Department:** See testimony attachments 1 and 2.

7:23

**Chairman Thoreson:** How many vacancies do you currently have?

**Cory Fong:** We currently have five vacancies.

**Chairman Thoreson:** Do you have a breakdown of those? So if you have an organizational chart showing who those are and maybe how long the position has been open.

**Cory Fong:** We have those available and we will be able to get those to you.

09:48

**Chairman Thoreson:** What's the source of those from the federal government? Is it a certain agency that's providing that to you?

**Cory Fong:** I believe it's department of transportation. I will follow up with you.

**Chairman Thoreson:** It's for fuel issues.

**Cory Fong:** It's for dyed fuel enforcement.

10:34

**Chairman Thoreson:**

**Cory Fong:**

**Chairman Thoreson:** Do we own that module now? Is it something we have to go out and purchase?

**Corey Fong:** We own that module now.

11:34

**Chairman Thoreson:** With that integrated, you'll still have another opportunity for those who don't wish to use it also? The technology will be used by the majority of people; but, there are still those who perhaps want to do it the more traditional way. How will that be handled once this is up and running?

**Corey Fong:** Yes. There will always be taxpayers who want to file by paper, pay through paper check, etc. We will continue to support those kinds of activities. Once this is fully integrated, we will be doing a full scale promotion of this to our taxpayers.

13:09

**Chairman Thoreson:** So will DOT then retain their own vehicle also and be doing work with this? Will it be transferred to with the purchase?

**Cory Fong:** We'll be working with DOT for the purchase; because they are used to making purchases of vehicles. The vehicle that they've been responsible for, I'm sure they'll use it for other purposes. It hasn't been specifically dedicated for motor fuel enforcement; it's just been one of their extra vehicles.

**Representative Kempenich:** How are you coordinating this with highway patrol?

**Cory Fong:** We have been very fortunate to have the cooperation of the highway patrol; because, they have to stop and detain the vehicle. In the tax department, we don't have the authority to stop and detain the vehicle. So we have to partner with highway patrol. We've been collaborating with some of their weight checks that they do across the state. When they do other kinds of vehicle checks, we will piggyback on those events and do the dyed fuel enforcement. DOT's partnership in this has been supplying the vehicle and some of the signage that they are able to do in their shop. We've done 14 site visits; we've stopped 3,100 vehicles that have resulted in about 47 actual violations; which we think is pretty good considering the number of vehicles we've stopped.

**Representative Kempenich:** Are you looking more towards the western part of the state?

**Cory Fong:** Our focus has been in the west; but, we have done some compliance checks in the east. Mr. Fong gave a list of cities that they have done dyed fuel enforcements on in the eastern part of the state. He then explained the difference between the way dyed fuel and clear fuel are taxed.

17:10

**Vice Chairman Brandenburg:** Do you know what the fines are for the fuel?

**Cory Fong:** I do.

**Vice Chairman Brandenburg:** We put clear fuel in our trucks. Sometimes when people buy different vehicles or trucks; and those previous owners had the dyed fuel in there, that stuff will stay there a long time. If you do get caught in a situation like that do you have mediation where you reduce the fine to come into compliance for a first time offender?

**Cory Fong:** The penalty for the first violation is \$250.00 multiplied by the number of violations up to \$5,000.00 is the top penalty for North Dakota. Plus, they have to remit the appropriate tax that they owe had they been using clear fuel. The IRS also imposes a fine and that starts at \$1,000.00. We typically do not have a give and take with first time violators; because our fine structure compared to other states is very low.

**Vice Chairman Brandenburg:** Really those fines don't start at \$250.00. If you get picked up, you're looking at a minimum of \$2,000.00 to possibly \$5,000.00.

**Representative Kempenich:** I think the distributors are going to have to delineate a little better also.

**Cory Fong:** One of the best things about the program is that we were really encouraged by the retail association. They were as much a part of this effort because they're very concerned about this and the impact to the retail side as well.

Cory Fong continued with his testimony.

24:26

**Representative Kempenich:** How many households are you serving today with the homestead tax credit?

**Marcy Dickerson, State Supervisor of Assessments, ND Tax Department:** For the 2011 payments we served 2,263 renters with the renters refund program; and 4,359 homeowners. These are people who are either over 65 years of age or permanently and totally disabled; and who's income from all sources didn't exceed \$26,000.00, and who's assets excluding the first \$100,000.00 of unencumbered value of their household didn't exceed \$75,000.00.

**Representative Kempenich:** Have you done any estimates?

**Marcy Dickerson:** I haven't actually seen the bill. But I have done some work based on what I understand is in the bill. There are major changes in SB2171 which are going to make many more people eligible. They're increasing the income limit to \$50,000.00 and not counting social security.

**Vice Chairman Brandenburg:** Looking at this \$20 million, depending on what happens to this bill, that amount could be much higher. Is that what you're saying?

**Marcy Dickerson:** At this point we're working on it. There are a lot of estimates.

Cory Fong continued with his testimony.

30:50

**Vice Chairman Brandenburg:** Going back to the \$20 million. What's the number of that bill for the homestead credit?

**Cory Fong:** SB2171 and it's chaired by Senator Klein.

**Representative Kempenich:** Is that 100% for the veteran's?

**Cory Fong:** That program changed in 2009. Prior to that, it was a property tax exemption that was administered at the local level. In 2009 the law changed and created credit; there are a few differences. Those differences are that it's only on fixtures, buildings improvements, there is not an income or asset test requirement; the amount of disabled veteran's credit is determined by the percentage of veteran's disability. The maximum disabled veteran's credit is \$120,000.00 of true and full value. The maximum amount of the homestead tax credit is \$100,000.00. But, it would 100% of that \$120,000.00 in value.

**Representative Kempenich:** How many folks did we serve this last go around?

**Marcy Dickerson:** We 2,075 disabled veterans last year.

**Representative Kempenich:** That's on a yearly basis, right?

**Marcy Dickerson:** Yes, that's on a yearly basis. In most cases, the same veterans will continue to receive the credit so long as they own their home. The reason for the deficiency is because we've had many more new applicants than we anticipated. Most of those applicants do live in the major cities. The applicants all hit the \$120,000.00 value on the house in the major cities; they had a percentage of it, which was between 50% and 100% disability. That's the reason we ran short of funds last biennium.

Cory Fong continued with his testimony.

39:00

**Representative Kempenich:** How close are you with the compensation package? Are you having any issues with people?

**Cory Fong:** That is another area I failed to mention is a critical issue; is addressing the salary issues. We hope you'll approve the current salary package that's contained in our budget; that's that additional \$1.3 million which addresses performance and equity. We have almost 30% of our staff that are eligible for retirement. We have of all the agencies, the highest average years of service at almost 20 years.

**Representative Glassheim:** Your next to last bullet; can you talk a little more about your space problems, requirements, needs?

**Cory Fong:** We are finding space issues in the capitol. I know that there are other agencies running into the same problem. Where we're really finding tight space is in the capitol complex.

**Representative Glassheim:** You're not asking for increases. Would you want to rent space elsewhere?

**Cory Fong:** I would not want to leave the capitol as an agency. We have a lot of customer interface.

**Chairman Thoreson:** Closed the hearing.

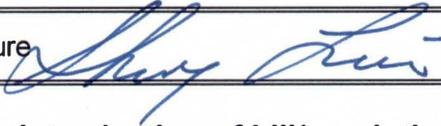
# 2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division  
Medora Room, State Capitol

HB1006  
January 31, 2013  
Recording Job# 18106

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the tax commissioner's salary; and to provide for a transfer

## Minutes:

**Vice Chairman Brandenburg:** Opened the hearing on HB1006.

**Cory Fong, Tax Commissioner, ND Office of the Tax Commissioner:** Testimony attachment 1.

4:39

**Vice Chairman Brandenburg:** Do you have any thoughts on attachments 2 and 3?

**Cory Fong:** Discussed attachments 2 and 3.

**Ken Purdy, Compensation Manager, Human Resource Management Services, ND Office of Management and Budget:** Discussed attachments 2 and 3.

**Cory Fong:** Explained the green sheet.

12:28

**Representative Sanford:** Could you comment on the effect if there is any on your department when policy changes.

**Cory Fong:** A lot of times when you're talking about a policy change or rate reduction; those types of policy changes are relatively easy for us to absorb. Changes that aren't as easy are trying to implement a new tax credit; like the 2007 income tax credit.

**Representative Sanford:** Do you get an opportunity to comment on impact during the legislative session?

**Cory Fong:** Yes, we are. There are a couple of vehicles to do that; the first vehicle is what's it going to mean to the state budget. Is it going to mean more revenue or less

revenue? When it comes to our impacts internally; that gets to be a little trickier. Part of our approach is that there are so many tax bills; that a lot of times if you put a fiscal note on it, it addresses the internal costs. That sometimes doesn't allow the discussion to go forward about the policy merits of a bill. We feel that it's important at some point to point out to the legislature that a major policy change that would impact us internally; that might require additional staffing, additional resources that we definitely have the opportunity to make the legislature aware of that.

**Representative Hawken:** As we look at the bills that affect taxes, do you have a list that says what they will each do?

**Cory Fong:** It's early. We're still generating fiscal notes for bills we haven't had a chance to see yet. The best source for that is all of the various fiscal notes that go along with these.

Cory Fong continued with his explanation of the green sheet.

23:12

**Vice Chairman Brandenburg:** The current homestead tax credit is the program that's in place. Did we raise the evaluation of the home? What did we raise it from?

**Cory Fong:** From \$75,000.00 to \$100,000.00. What we've done is raise the maximum true and full value of a home from \$75,000.00 to \$100,000.00. We've raised the income test. The last time the homestead tax credit enhanced, you went from \$17,500.00 to the current maximum which is \$26,000.00. What the governor's proposing in SB2171 is to raise the qualifying income level from \$26,000.00 up to \$50,000.00; removing the asset test altogether. Right now there's an asset test; it's the first \$75,000.00 excluding the first \$100,000.00 of unencumbered value of their home. That's the maximum asset test that a qualifying applicant can have. The governor's also proposing in SB2171 is to remove social security from the definition of income; currently it's considered income.

**Vice Chairman Brandenburg:** So we're going to have about \$30,685,000.00 with the two together?

**Cory Fong:** That's right.

30:07

**Vice Chairman Brandenburg:** On the gen tax, could you give an explanation of the \$1 million needed to keep that going on?

**Cory Fong:** We have a contract with Fast Enterprises; they are the people who have developed GenTax. They're primarily working the world of tax; but they've also gotten into other functions like motor vehicle and unemployment. We have an agreement with them for support, maintenance and upgrades; it's a bundled service package. By bundling it we do save additional resources; and it's just over \$3 million total. Part of that is already in base budget; but, this additional \$1 million would help us with that bundled service package.

34:06

**Vice Chairman Brandenburg:** So it's the scope creep what really gets the cost; because when we want to more than we're supposed to do then it can cost more?

**Cory Fong:** Implementing our initial GenTax product from 2005-2007, was that we kept to the core; we didn't deviate much from the core. That kept our cost down, it allowed us to stay on budget; that was a \$12 million project that we paid for over time. It's when you start deviating from that and making changes to the core product that really adds to the cost; that's what I refer to as scope creep.

37:09

**Representative Glassheim:** So the first \$1 million for the continued model contract for support; that's just in your operating line?

**Cory Fong:** Yes.

**Vice Chairman Brandenburg:** And the one time is for the TAP Program to be able to do it online.

**Cory Fong:** That's correct; to configure it.

**Vice Chairman Brandenburg:** When you say configure it; do you mean understand it? Make it work?

**Cory Fong:** Deploy it really. It's going to be the interface with the public. It's going to change the way they interface with our web file system for sales tax, withholding, registration.

**Representative Glassheim:** Internally you're going to reconfigure; but, what will we get on the paying end?

**Cory Fong:** It's going to be taxpayers, sales tax permit holders, withholding accounts, lodging and restaurant taxes; all of those kinds of taxes are what we're going to configure and push out so they can file, pay, register for those things online.

**Representative Glassheim:** Individual income taxpayers as well?

**Cory Fong:** Yes, to the extent that they're using those kinds of things. There is a potential for individual income tax; we haven't figured out if we're going to deploy that.

**Representative Glassheim:** That will be easier for all commercial taxpayers; and it will get stuff to you more quickly and more easily?

**Cory Fong:** It's going to help our interaction with the taxpayer; it's going to ease their burden, allow us to communicate more easily with them. States have used TAP to do a variety of these; they've even used it in their audit process. We're looking forward to the way it's going to help us be able to communicate more easily and efficiently with taxpayers.

Cory Fong continued with his explanation of the green sheet.

41:32

**Vice Chairman Brandenburg:** I assume this truck is going to go to the western side of the state?

**Cory Fong:** It's going to go all over the state.

43:18

**Vice Chairman Brandenburg:** SB2106 for roll up cigarette machines. What is that all about?

**Cory Fong:** Explained SB2106.

**Vice Chairman Brandenburg:** Closed the hearing.

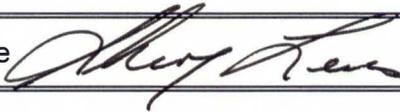
# 2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division  
Medora Room, State Capitol

HB1006  
February 11, 2013  
Recording Job# 18663

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the tax commissioner's salary; and to provide for a transfer

## Minutes:

**Vice Chairman Brandenburg:** Discussed attachment 1.

**Representative Hawken:** If we're trying to do things for the people of North Dakota. This is reporting the taxes easier. It's one that you can bargain; but, we did it to help make it easier for people to run their small businesses.

**Representative Kempenich:** We're probably getting close to \$20 million that we've sunk into this system.

**Representative Hawken:** So what is the return on investment?

**Vice Chairman Brandenburg:** I do think that's the part we don't know. Do the businesses want to do it online? That's probably the concern from two different sides.

**Representative Kempenich:** I would like to take it out. I understand what they're trying to do and the feds are going in this direction also. The scariest part is there's going to have to be an education process also.

**Vice Chairman Brandenburg:** What I hear is council should prepare an amendment to take it out. You can also prepare an amendment to take out the \$115,000.00 on #6.

**Vice Chairman Brandenburg:** Closed the discussion.

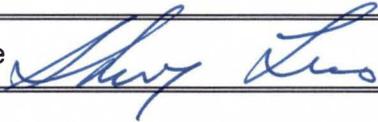
# 2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division  
Medora Room, State Capitol

HB1006  
February 14, 2013  
Recording Job# 18930

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the tax commissioner's salary; and to provide for a transfer.

## Minutes:

**Chairman Thoreson:** Opened the discussion on HB1006.

**Vice Chairman Brandenburg:** Made a motion to remove \$115,000.00 for motor fuels.

**Representative Kempenich:** Seconded the motion.

**Representative Glasheim:** What is that? They won't be available?

**Vice Chairman Brandenburg:** The funds would be used for enforcement. We want to take it out.

**Representative Kempenich:** The highway patrol has MCSAP people that are federally funded also.

**Representative Glasheim:** This is \$115,000.00 of federal funds that would do what?

**Representative Kempenich:** They would put rubber hoses in your fuel tank, remove fuel and check to see if you're using dyed fuel.

**Representative Glasheim:** That's to enforce tax collection?

**Representative Kempenich:** Diesel fuel is colored; so there's off road and on road fuel.

**Representative Glasheim:** Would this be to fund a person?

**Representative Kempenich:** I'm guessing they probably have somebody now in the office.

**Cory Fong, Commissioner, ND Tax Department:** It is for a variety of things; training, travel, and the vehicle that we would be purchasing. This is money that we have received in the form of a federal grant. This is just spending authority that we need to carry forward into the next biennium. This is a compliance program that we are responsible for and we work very closely with highway patrol. They are essential because they detain the vehicles. We don't have the ability to detain a vehicle; but, it's our charge to dip the tank.

**Chairman Thoreson:** So let me get some clarification. They stop the vehicle, they can detain somebody, hold the vehicle until you come out and perform the testing?

**Cory Fong:** That's correct. We've been very sensitive to the workload of the highway patrol; because of the other needs that they have. In many cases where they're doing weight restriction tests, our compliance staff is there to dip the tanks.

**Chairman Thoreson:** How do they know how to detain somebody if its fuel in the tank? Are they doing random checkpoints like they do for sobriety checks?

**Cory Fong:** There are check points where if they have a diesel engine, they're going to be rerouted to the checkpoint.

**Chairman Thoreson:** Do they get tips from people that this is going on?

**Cory Fong:** We do get information from sources that we follow up on. In the case of some of those tips, we do pursue them. This is where there are motorists that are traveling. So the detention of the vehicle is the part that highway patrol does.

**Chairman Thoreson:** So when they're doing these checkpoints are you on site at the same time during that?

**Cory Fong:** We're there on site with the highway patrol. Department of Transportation has also been a very important partner in this initiative. They provided us the signage and we've been using their vehicle to this point.

**Chairman Thoreson:** You also mention the IRS. Do they have people on site doing testing?

**Cory Fong:** We send the test to them and they test it for us. They then impose their own fines.

**Chairman Thoreson:** If the amendment goes forward, does the program continue?

**Cory Fong:** We have these dollars; they've been approved in the form of a federal grant. We need approval in the next biennium to spend them; that's why it's showing up in our budget.

**Cory Fong:** We have staff who are involved in this. This is not associated with a new FTE or anything. This is simply training costs, travel costs, and the equipment piece; which the largest portion will be the vehicle that we will use for this dedicated purpose.

**Representative Kempenich:** It looks that there would be about \$115,000.00 would stay.

**Representative Glassheim:** If you don't have this, there will be no checking statewide? You will then not be able to collect some amount of money that you otherwise would?

**Cory Fong:** I think we have to continue to do this. If we are unable to receive this grant, I think we will have to go forward with resources that we have and try to do the best we can; collaborating with highway patrol and DOT to get these checks done.

**Representative Hawken:** I need to have help with understanding why we would let this amendment go forward. Since it's grant funding we have to do the job. Eventually it would be replaced with general funds.

**Vice Chairman Brandenburg:** Right now the program is happening working with DOT, highway patrol and now there are three agencies involved in it; and I just don't think they need the whole grant.

**Representative Guggisberg:** This federal grant, is that some type of competitive grant? Were we allowed this amount of money because they looked at our state and said it is an issue in this state?

**Cory Fong:** We applied for a grant through the federal highway transportation agency. They looked at a variety of states who applied for grants. I suppose it was competitive. I think they're very excited by the fact that North Dakota had initiated this compliance initiative; because they're trying to get more states to do this. We've been very involved in an organization of motor fuel tax administrators. We've stepped up our efforts so significantly that we feel it's time for more presence, we feel we need more training and a piece of equipment.

**Representative Guggisberg:** How do we measure in two years? Let's say this amendment fails, you get the grant, the program moves forward; how do you measure if it's worth the \$100,000.00?

**Cory Fong:** I may have not brought down my information on that particular program; but, we've already compiled with the 13 or 14 compliance checks that we've done since we initiated the program. I believe the violation rate was about 2% of the vehicles we checked.

**Representative Guggisberg:** It seems that by letting you expend these funds, there's no cost to the state treasury; but there definitely some revenue that will be brought in by people buying the right fuel and possibly some fines.

**Representative Sanford:** Help me with the legacy of this.

**Cory Fong:** The grant is going to be used again for these up front training costs this coming biennium. The vehicle is a big piece of it along with the travel. I can't answer if we would apply for another grant down the road; but, I don't think it would be to this level.

**Representative Sanford:** The legacy would not include personnel. The legacy would expand what you're doing now. The concern with federal monies is that you use it and then you have costs that are with you forever.

**Cory Fong:** I think there would be marginal nominal costs going forward.

A voice vote was made to adopt the amendment and was undetermined.

A roll vote was made. 3 Yeas 4 Nays 0 Absent. The motion failed.

**Representative Kempenich:** I know they've been using \$500.00 for housing allowance and then some adjustment compensation. It shows up in their one time funding.

**Representative Kempenich:** RA240903, inflationary operating expense. How much of that did you fund?

**Joe Morrisette, Fiscal Analyst, ND Office of Management and Budget:** That is the amount that was funded; it is less than what the agency requested.

**Representative Kempenich:** We're adding more and it gets tough to second guess when you start looking at the homestead tax credit. The request was for \$2.2 million and last session the budget we passed was \$3.2 million. We added on another million on top of that so we're sitting with the IT contractual services and repairs at \$4.2 million.

**Cory Fong:** As I understand in our last budget cycle, we had \$1 million for the onsite support, maintenance and upgrade added in with that bundled package. I think that was taken out of the one time funding and put back in as \$1 million to the base to create that bundled package. The additional \$1 million is the TAP Project; the one time funding for the self-service portal.

**Vice Chairman Brandenburg:** How do we get the \$160,000.00 savings with that \$1 million for the GenTax upgrade?

**Cory Fong:** When I say \$160,000.00 savings; I mean by bundling the service contract for maintenance, onsite support and the upgrades, we save about \$160,000.00 versus doing everything separately. The benefit is that we will always have the upgrades.

**Vice Chairman Brandenburg:** On the TAP Program; how did you come up with \$1 million to do that program for that cost?

**Cory Fong:** That is the estimate that we've given by the company, Fast Enterprises based on the kinds of enhancements that we want to make.

**Vice Chairman Brandenburg:** I understand what it does, but, I'm wondering how you came up with the cost for it.

**Representative Kempenich:** On the leases, was there additional space leased?

**Joe Morrissette:** It was based on increased rental rates in certain areas of the state.

**Cory Fong:** It is based on increased costs for the sites we have most notably in Dickinson and Williston. Our rent did go up in Fargo as well.

**Representative Kempenich:** Made a motion for a "Do Pass".

**Representative Hawken:** Seconded the motion.

A roll call vote was made for a "Do Pass as Amended". 7 Yeas 0 Nays 0 Absent.

**Representative Hawken:** Carried the bill.

**Chairman Thoreson:** Closed the discussion.

# 2013 HOUSE STANDING COMMITTEE MINUTES

## House Appropriations Committee Roughrider Room, State Capitol

HB 1006  
February 19, 2013  
Job 19217

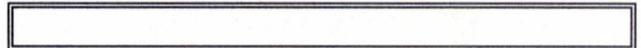
Conference Committee



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

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the tax commissioner's salary; and to provide for a transfer.

### Minutes:



**Chairman Delzer** opened the hearing.

**Rep. Hawken** reviewed the bill and amendments.

**Rep. Hawken** moved the amendments.

**Rep. Thoreson** seconded.

**Rep. Streyle:** In the budgets in our sub-section, we pulled off the housing in the oil field.

**Rep. Hawken:** They don't have any.

**Chairman:** Joe, is there any money in there for something out west?

**Joe Morrissette, OMB:** There is.

**Rep. Kempenich:** It's in the one-time on the second page of the bill, line 4.

**Rep. Thoreson:** We weren't certain of the committee's direction on this, but we could certainly remove it.

**Chairman:** What was it actually meant for?

**Rep. Kempenich:** Housing.

**Chairman Delzer:** We should be consistent and pull them all. The essence is to try to get a matrix.

**Voice Vote:** Motion carried.

**Rep. Thoreson:** On page 2, line 4 of the bill there is an adjustment of \$112,364 and this is designated for oil impact adjustments. I would motion to remove that.

**Rep. Brandenburg** seconded.

**Rep. Nelson:** In the human service budget, there were a number of these. They were all \$500 a month housing allowances. Can you give a brief description of what this was for?

**Morrisette:** I don't have the breakdown with me, but there was some housing allowance. I think it was \$500 per month. There were also some extra travel expenses.

**Chairman Delzer:** Where do we have people stationed in the oil impact area for this? Don't all of the tax personnel work out of Bismarck?

**Morrisette:** There were a couple of auditor positions or compliance officers.

**Rep. Nelson:** Those of us in other sections adjusted the travel budgets in the operations line. We didn't necessarily take those increases out.

**Chairman:** The oil impact stuff should have been taken out, but the increased travel shouldn't have had to come out.

**Rep. Nelson:** It's not possible in some of these areas.

**Rep. Pollert:** We had the dollar figures and we pulled them. With the travel, we looked at it and just removed a certain amount of money of operating expense.

**Chairman Delzer:** Travel should reside in operating expense, not oil.

**Rep. Kempenich:** OMB put in \$240,000 of inflationary increases in their operating line.

**Voice Vote:** Motion carried.

**Rep. Hawken (10:17)** walked through the green sheet.

**Chairman Delzer:** I'd like to hold this and take a look at SB 2171.

**Rep. Skarphol:** Is number 2 on the green sheet relevant to 2171?

**Rep. Hawken:** No, number 2 is the Homestead Tax Credit.

**Becky Keller, Legislative Council:** Number 2 is the expansion that's covered in 2171. Numbers 1 and 3 are to keep the current program running at the estimated increased level.

**Rep. Hawken:** But that's the Homestead Tax Credit not the Disabled Veterans Tax Credit. The prime sponsor of SB2171 is Jerry Klein, and this is for the homestead property tax credit, not disabled veterans.

**Rep. Skarphol:** I would like us to take the money out. If the policy bill passes the Senate and passes here, then it can be put back in during the conference committee. I move to remove the \$20 million in line 2 of the green sheet.

**Rep. Brandenburg** seconded.

**Chairman Delzer:** Until we know how 2171 fairs in the Senate and House, we should not have the funding in the bill.

**Voice Vote:** Motion carried.

**Chairman Delzer:** Will this amendment force people to work online?

**Rep. Hawken:** There would still be the option to not.

**Rep. Thoreson:** For those who wish to do it with paper, they would be able to.

**Chairman Delzer:** We just passed a bill on the floor that increased the amount that people can retain for filling out the forms. Is this supposed to make it easier for them?

**Rep. Kempenich:** The commissioner indicated that they should show some benefit of doing this, because they should see more receipts.

**Chairman Delzer:** Is this the last time we should have to pay for implementing something in gen tax?

**Rep. Hawken:** I believe it is. That's what we were told. The first million dollars is for maintenance on the entire system. The other is the implementation.

**Rep. Kempenich:** The maintenance amount is probably going to be an ongoing number.

**Chairman Delzer:** How much have we spent on it?

**Rep. Kempenich:** We've gone through two or three biennium where we've had this million dollar maintenance fee.

**Rep. Hawken:** The tax department has a savings of \$160,000 by bundling all of these together. Continued with 6 and 7 on the green sheet. I move approval as amended of 1006.

**Rep. Thoreson** seconded.

**Rep. Brandenburg:** I would like to further amend to take out number 6.

**Rep. Hawken:** This is a federal grant that is a memorandum between the IRS and the tax department. I don't believe you can decide within the state that you're going to move the federal grant. We can take it out and they can send \$100,000 back. But if they have to buy the pick-up, it's coming out of general funds.

**Chairman Delzer:** Rep Brandenburg, do you mean to move a substitute motion?

**Rep. Brandenburg:** Yes, I move a substitute motion.

**Rep. Kempenich** seconded.

**Rep. Skarphol:** What is the \$115,000 in addition to? How much is already there that we're adding to for this enforcement?

**Rep Thoreson:** I believe it was an amount of \$10,000.

**Chairman Delzer:** I support taking it out. There are enough places we do enforcement of this and if we're violating federal authority, I'm sure we'll find out about it.

**Rep. Glassheim:** This is a question of enforcing a law that we have. There are people who are deliberately evading paying for the right fuel. He believes it's his obligation to do it and if he doesn't use the federal money, he'll do something in his own department. But it needs to be enforced.

**Chairman Delzer:** I've been checked by the HP and the DOT. I don't think it's a case where the tax department has to be part of this.

**Rep. Nelson:** I question if we are sending the right signal if we take this out. We've put a lot of money into roads across the state, and we expect that the people paying fuel tax are paying their fair share for the upgrade and repair of the road system. We need to enforce that. What if it's somebody from out of state?

**Chairman Delzer:** I don't disagree it should be enforced, but I'm not sure it's the tax department's place to enforce it.

**Sheila Peterson, OMB:** In the current biennium, there is a \$10,000 grant that they have right now for enforcement.

**Chairman Delzer:** Did that pass last time? Or was it adopted by the emergency commission during the interim?

**Peterson:** I believe it was in their budget last time.

**Rep. Hawken:** I believe it was the 115 that was adopted in the emergency commission.

**Chairman:** If we adopted it then, they should have expended some of it by now.

**Rep. Kempenich:** The commissioner indicated that they're doing some coordinated efforts. How is one person going to run this?

**Rep. Brandenburg:** I feel this should be handled by one agency, DOT. It's going to cause a mess with safety.

**Rep. Boe:** Was there any discussion in committee, are they precluded from contracting with another agency to facilitate this? Could they accept the grant and sign a memorandum of understanding with another department to take care of the enforcement?

**Rep. Hawken:** That's exactly what this is, it's a combined effort.

**Chairman Delzer:** But they want to buy a vehicle.

**Rep. Hawken:** That was part of the grant. I'm sure it will be used in coordination with the program, which isn't just their program.

**Rep. Guggisberg:** We did ask the commissioner about this. The HP can't dip the stick; it has to be somebody from the tax department. They can line up trucks and pull people over.

**Voice Vote:** Uncertain.

**Roll Call Vote:**

Yes: 11

No: 10

Absent: 1

Motion carried.

**Rep. Hawken** moved a Do Pass as Amended.

**Rep. Thoreson** seconded.

**Rep. Hawken:** How can we justify turning back that money when we are now going to spend general fund money to do this program?

**Chairman:** I don't know that they have general fund money in there to do this.

**Roll Call Vote:**

Yes: 21

No: 0

House Appropriations Committee  
HB 1006  
February 19, 2013  
Page 6

Absent: 1

**Rep. Hawken** carried the bill.

**Chairman Delzer** adjourned the committee.

*2/20/13  
 WMC  
 180*

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1006

Page 1, replace lines 14 through 17 with:

"Salaries and wages	\$18,797,710	\$960,745	\$19,758,455
Accrued leave payments	0	624,818	624,818
Operating expenses	6,398,031	2,208,803	8,606,834
Capital assets	16,000	0	16,000
Homestead tax credit	8,792,788	1,892,212	10,685,000"

Page 1, replace lines 19 through 21 with:

"Total all funds	\$38,248,449	\$8,620,658	\$46,869,107
Less estimated income	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total general fund	\$38,238,449	\$8,620,658	\$46,859,107"

Page 2, replace lines 4 and 5 with:

"TAP project		\$0	\$1,000,000"
--------------	--	-----	--------------

Page 2, replace line 7 with:

"Total general fund		\$1,000,000	\$1,000,000"
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Page 2, line 20, replace "five" with "four"

Page 2, line 21, replace "fifty-one" with "forty"

Page 2, line 21, replace "nine" with "seven"

Page 2, line 22, replace "two" with "one"

Page 2, line 22, replace "fifty-three" with "sixty-one"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1006 - State Tax Commissioner - House Action**

	Executive Budget	House Changes	House Version
Salaries and wages	\$21,151,815	(\$1,393,360)	\$19,758,455
Operating expenses	8,684,314	(77,480)	8,606,834
Capital assets	66,000	(50,000)	16,000
Homestead tax credit	30,685,000	(20,000,000)	10,685,000
Disabled veterans credit	7,178,000		7,178,000
Accrued leave payments		624,818	624,818
Total all funds	\$67,765,129	(\$20,896,022)	\$46,869,107
Less estimated income	<u>125,000</u>	<u>(115,000)</u>	<u>10,000</u>
General fund	\$67,640,129	(\$20,781,022)	\$46,859,107
FTE	134.00	0.00	134.00



**Department No. 127 - State Tax Commissioner - Detail of House Changes**

	Corrects Executive Compensation Package <sup>1</sup>	Adjusts State Employee Compensation and Benefits Package <sup>2</sup>	Provides Separate Line Item for Accrued Leave Payments <sup>3</sup>	Removes Funding for Homestead Tax Credit Expansion <sup>4</sup>	Removes Funding for Oil Impact Allowances <sup>5</sup>	Removes Funding for Motor Fuels Tax Enforcement Program <sup>6</sup>
Salaries and wages	\$21,963	(\$690,621)	(\$624,818)		(\$99,884)	
Operating expenses					(12,480)	(65,000)
Capital assets						(50,000)
Homestead tax credit				(20,000,000)		
Disabled veterans credit						
Accrued leave payments			624,818			
<b>Total all funds</b>	<b>\$21,963</b>	<b>(\$690,621)</b>	<b>\$0</b>	<b>(\$20,000,000)</b>	<b>(\$112,364)</b>	<b>(\$115,000)</b>
Less estimated income	0	0	0	0	0	(115,000)
<b>General fund</b>	<b>\$21,963</b>	<b>(\$690,621)</b>	<b>\$0</b>	<b>(\$20,000,000)</b>	<b>(\$112,364)</b>	<b>\$0</b>
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Total House Changes
Salaries and wages	(\$1,393,360)
Operating expenses	(77,480)
Capital assets	(50,000)
Homestead tax credit	(20,000,000)
Disabled veterans credit	
Accrued leave payments	624,818
<b>Total all funds</b>	<b>(\$20,896,022)</b>
Less estimated income	(115,000)
<b>General fund</b>	<b>(\$20,781,022)</b>
FTE	0.00

<sup>1</sup>Funding is added due to a calculation error in the executive compensation package.

<sup>2</sup>This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

<sup>3</sup>A portion of funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

<sup>4</sup>Funding included in the executive budget recommendation to expand the homestead tax credit program is removed.

<sup>5</sup>Funding included in the executive budget recommendation to provide housing and compensation allowances for employees located in areas affected by oil development is removed.

<sup>6</sup>Funding included in the executive budget recommendation for motor fuels tax enforcement program activities is removed.

Section 4 of this bill is amended to reflect the change in the Tax Commissioner's salary from a 4 percent increase each year of the biennium to a 3 percent increase each year.

**2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. HB1006**

House Appropriations - Government Operations Division Committee

Check here for Conference Committee

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

Action Taken \_\_\_\_\_

Motion Made By Vice Chairman Brandenburg Seconded By Representative Kempenich

<b>Representatives</b>	<b>Yes</b>	<b>No</b>	<b>Representatives</b>	<b>Yes</b>	<b>No</b>
Chairman Thoreson	x		Representative Glassheim		x
Vice Chairman Brandenburg	x		Representative Guggisberg		x
Representative Kempenich	x				
Representative Hawken		x			
Representative Sanford		x			

Total (Yes) 3 No 4

Absent 0

Floor Assignment 0

If the vote is on an amendment, briefly indicate intent: To remove \$115,000.00 for dyed fuel testing of vehicles.



Date: 2/19/13  
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1006

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number .0/001

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

Motion Made By Rep. Hawken Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

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

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

*Voice vote carries*

Date: 2/19/13  
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1006**

House 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 Rep. Thoreson Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

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

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

*page 2 line 4 - remove*

*Voice vote carries*

Date: 2/19/13  
Roll Call Vote #: 3

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1006

House 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 Rep. Skarphol Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

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

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

*remove \$20 M from line 2 of green sheet*

*voice vote carries*

Date: 2/19/13  
 Roll Call Vote #: 4

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1006**

House 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 Rep. Hawken Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

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

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

*substitute motion*

Date: 2/19/13  
 Roll Call Vote #: 5

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1006**

House 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 Rep. Brandenburg Seconded By Rep. Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch		X			
Rep. Grande	X		Rep. Boe		X
Rep. Hawken		X	Rep. Glassheim		X
Rep. Kreidt	X		Rep. Guggisberg		X
Rep. Martinson			Rep. Holman		X
Rep. Monson		X	Rep. Williams		X
Rep. Nelson		X			
Rep. Pollert	X				
Rep. Sanford		X			
Rep. Skarphol	X				

Total Yes 11 No 10

Absent 1

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

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

*take out 115*  
*voice vote uncertain*

Date: 2/19/13  
 Roll Call Vote #: 6

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1006**

House 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 Rep. Hawken Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson			Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 21 No 0

Absent 1

Floor Assignment Rep. Hawken

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

**REPORT OF STANDING COMMITTEE**

**HB 1006: Appropriations Committee (Rep. Delzer, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1006 was placed on the Sixth order on the calendar.

Page 1, replace lines 14 through 17 with:

"Salaries and wages	\$18,797,710	\$960,745	\$19,758,455
Accrued leave payments	0	624,818	624,818
Operating expenses	6,398,031	2,208,803	8,606,834
Capital assets	16,000	0	16,000
Homestead tax credit	8,792,788	1,892,212	10,685,000"

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Less estimated income	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total general fund	\$38,238,449	\$8,620,658	\$46,859,107"

Page 2, replace lines 4 and 5 with:

"TAP project	\$0	\$1,000,000"
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Page 2, replace line 7 with:

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Page 2, line 22, replace "two" with "one"

Page 2, line 22, replace "fifty-three" with "sixty-one"

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1006 - State Tax Commissioner - House Action**

	<b>Executive Budget</b>	<b>House Changes</b>	<b>House Version</b>
Salaries and wages	\$21,151,815	(\$1,393,360)	\$19,758,455
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Total all funds	\$67,765,129	(\$20,896,022)	\$46,869,107
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General fund	\$67,640,129	(\$20,781,022)	\$46,859,107
FTE	134.00	0.00	134.00

**Department No. 127 - State Tax Commissioner - Detail of House Changes**

<b>Corrects Executive</b>	<b>Adjusts State Employee</b>	<b>Provides Separate Line</b>	<b>Removes Funding for</b>	<b>Removes Funding for Oil</b>	<b>Removes Funding for</b>
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	Compensation Package <sup>1</sup>	Compensation and Benefits Package <sup>2</sup>	Item for Accrued Leave Payments <sup>3</sup>	Homestead Tax Credit Expansion <sup>4</sup>	Impact Allowances <sup>5</sup>	Motor Fuels Tax Enforcement Program <sup>6</sup>
Salaries and wages	\$21,963	(\$690,621)	(\$624,818)		(\$99,884)	
Operating expenses					(12,480)	(65,000)
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Less estimated income	0	0	0	0	0	(115,000)
<b>General fund</b>	<b>\$21,963</b>	<b>(\$690,621)</b>	<b>\$0</b>	<b>(\$20,000,000)</b>	<b>(\$112,364)</b>	<b>\$0</b>
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	<b>Total House Changes</b>
Salaries and wages	(\$1,393,360)
Operating expenses	(77,480)
Capital assets	(50,000)
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<sup>1</sup>Funding is added due to a calculation error in the executive compensation package.

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<sup>6</sup>Funding included in the executive budget recommendation for motor fuels tax enforcement program activities is removed.

Section 4 of this bill is amended to reflect the change in the Tax Commissioner's salary from a 4 percent increase each year of the biennium to a 3 percent increase each year.

**2013 SENATE APPROPRIATIONS**

**HB 1006**

# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

HB 1006  
03-14-2013  
Job # 19947

Conference Committee

Committee Clerk Signature



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

A BILL for an appropriation for the Tax Commissioner.

### Minutes:

See attached testimony.

**Vice Chairman Bowman** called the committee to order on Thursday, March 14, 2013 at 3:00 pm in regards to HB 1006. All committee members were present except Senator Holmberg. Adam Mathiak from Legislative Council and Joe Morrissette from OMB were present.

**Cory Fong, State Tax Commissioner:** testified in favor of HB 1006 and presented written Testimony attached # 1, which is the Budget Presentation for his Department. We are collecting more revenue more efficiently. (9:44) It is important for you to know the House took this money out of our budget and we are requesting that these dollars will be restored.

**Senator Carlisle:** On SB 2171 is it \$225,000 or \$275,000.

**Cory Fong:** The current version raises it from \$75,000 to \$275,000, not counting your house value against that asset test. The income level was \$42,000. The original bill was taking out social security and counting against income but that is now back in the bill.

**Senator Wanzek:** The tax collections and revenues per FTE's and is dropping. This might be a direct result of that. Is this an example where we can say this is what technology has done for us?

**Cory Fong:** Some is a result of the increase in revenue for the activity. That is a major portion of it but we put into place technology and new business solutions over the years that are contributing to that as well. We are able to do more with the same level of staffing. We want to continue. (14.45)

**Senator Wanzek:** We struggle with that and this is a good example.

**Vice Chairman Bowman:** Do we have a lot of state employees that don't pay their taxes.

**Cory Fong:** We deal with the taxpayers as best we can, and some fall into state government. We can garnish wages. State agencies will help us on that. I can't give you a number or percentage but some probably fit into that category.

**Senator Mathern:** There are some of these filing processes that use software that are provided by private companies. What kind of protections are in place that when you use that, those private companies don't get other data from your department?

**Cory Fong:** Are you talking about companies that are online providers like Turbo tax? We obviously are concerned about data privacy and protection. That is between the taxpayer and the company. They are just simply the middle man to get the return prepared and filed with us. There are two formats. There are the companies where you buy the software and you are taking care of that information on your computer. Now the trend is you download it from a remote site and in that case the company is probably storing the data. The relationship would come when the taxpayer is dealing with the software provider.

**Senator Carlisle:** What are you up to on E-filing?

**Cory Fong:** For individual income tax, we hit 80%. We will see more next season. We certainly have more filers. They get their return back more quickly. It is more efficient.

Moving on and get into the House amendments. (20.25) The Tax Department is respectfully requesting the reinstatement of all amendments made by the House to HB 1006.

**Senator Robinson:** you referenced bullet # 5. I show \$112,364.

**Cory Fong:** The recent version of the green sheet, dated March 13, the 6<sup>th</sup> bullet, is \$150,000. And oil impact awareness shows up in a couple of places. There were dollars we had in our salaries and wages to the tune of \$99,884 and we had also in operating, \$12,480 for impacts in the oil patch for the cost of living issues.

**Senator Wanzek:** For that motor fuels tax enforcement, could that be a revenue generator?

**Cory Fong:** this is for our dyed fuel enforcement program. We partner with the IRS and state agencies to do site checks. Last year we did 14 sites, 3100 different stops, and sampled 61 different vehicles. We issued 47 different violations. It's to keep that program going. We will be looking at purchasing a vehicle. We are using one that is available from DOT right now. That is what the \$115,000 additional grant money is for. We applied for it, we have it, and this is simply the authority to use it in the upcoming biennium. We want to make sure we have the authority to carry it into the 13-15 biennium.

**Senator Wanzek:** Could this effort lead to increased revenues?

**Cory Fong:** It leads to increased education. We see a shift from dyed fuel consumption to the clear fuel consumption. People realize we are out there and they have to comply with

the law. I want to thank Highway Patrol. They actually detain the vehicles. Yes I think it could increase revenue because of awareness.

**Senator Gary Lee:** Why is the Tax Department enforcing this? HP should be doing it. I am questioning the logic in more people doing that.

**Cory Fong:** The HP is only involved in the detainment. Would the HP want one more piece of equipment out there? They are stopping vehicles but they have several enforcement activities. If you want to have that conversation, you want to involve the HP. As a tax collector we become the enforcer and collect the tax.

**Senator Warner:** You don't have police powers. You have the audit powers. You wouldn't be legally authorized to stop a car.

**Cory Fong:** Under current law, the detainment is the HP. Whether the agency has the power to detain, I am not sure I can answer that.

**Senator Warner:** Do you use the Sheriff?

**Cory Fong:** No, the statute provides it is the HP. To wrap up, we assume only 75% will take advantage of the Disabled Veterans Credit Program. That covers us in SB 2171. There are no additional dollars, this committee will address that. In the Disabled Veterans, it is critical we have those dollars to fill the gap. There is no additional dollars in our budget for the enhanced version of SB 2171. There are a number of things under agency accomplishments.

We do have an amendment we are asking for on the second page of my testimony. This is the ability to carry forward existing dollars from the 2011-13 for a grant for NDSU. They would like a little bit more time to do the testing, and all we are asking for is that \$50,000 be carried over a little bit longer so we can see the benefit in the work that they are doing. This is critical. That's provides the basis for all agriculture values. We like the Governor's salary package, and we hope that will be restored. (37.28)

**Senator Mathern:** You ended by tax payer self-serving. Can a taxpayer e-file their income taxes without using any commercial product?

**Cory Fong:** Yes. We have a solution we've had in place for several years. This would be for the tax payer that does not qualify for free file. We have a form that they can file their state return free. They will have to figure out the federal program a different way for free. It is something they can file electronically.

**Senator Carlisle:** Didn't the University of Mary help people do income taxes?

**Cory Fong:** The VITA program allowed the taxpayer for free prep service. You are talking about the VITA program which is aimed at folks that meet certain income requirements. There is also the tax counseling for the elderly program if you have a simple return.

Senate Appropriations Committee  
HB 1006  
03-14-13  
Page 4

We have some unique issues but when we do get into the discussions about I want Ken to be involved.

**Vice Chairman Bowman** I think the subcommittee will address it at that time. The hearing was closed on HB 1006

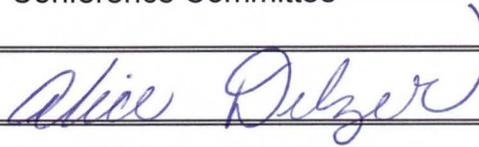
# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

HB 1006  
03-20-2013  
Job # 20204

Conference Committee

Committee Clerk Signature



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

A BILL for the Tax Commissioner

### Minutes:

You may make reference to "attached testimony."

**Chairman Holmberg** called the committee to order on Wednesday, March 20, 2013.

**Senator Wanzek:** There are two issues regarding HB 1006 that has to do with two different bills that will affect their budget. The first is regarding SB 2171, the expansion of the Homestead Property Tax Credit, and there is going to be some version of SB 2171, whether it is going to require the \$20M as it was passed out of the Senate, or something else and I talked to the finance and tax committee on both sides. The second issue is the HB 1306, which is a renter's credit for disabled veterans, a property tax renter's credit. If that passes there is a need for nearly \$3M to be put back in the budget also, so I don't know if we want to go ahead and pass it, assuming those bills are going to pass or do we want to wait to see the fate of those two bill?

**Senator Carlisle:** What was the thinking of the House on removing the Homestead tax credit money. When that went out of here, as amended, was a pretty good bill for a lot of folks that could use it.

**Senator Wanzek:** I am not sure what the reason was. And it sounds like, the chairman of the House Finance and Tax told me there will be some version of SB 2171, but he doesn't know what it's going to be, it might be pared back some but they took the full \$20M out that's necessary to fund the expansion that we voted for in SB 2171.

**Chairman Holmberg:** We have time. We can wait for this for a few days. We don't want to rush off and possibly leave a program that we passed with no money in it. The discussion was closed on HB 1006

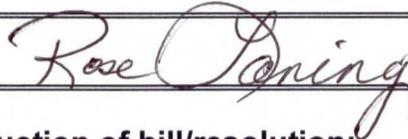
# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Appropriations Committee Harvest Room, State Capitol

HB 1006  
April 10, 2013  
Job # 21085

Conference Committee

Committee Clerk Signature



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

A BILL for an appropriation for the Tax Commissioner.

### Minutes:

Legislative Council - Becky J. Keller  
OMB - Lori Laschkewitsch

**Chairman Holmberg** opened the discussion on HB 1006. All committee members were present.

**Senator Wanzek** handed out amendment 13.8135.02001 and explained the amendment.

We've been hanging onto this bill and waiting to see what other bills regarding the Homestead Tax Credit and the Veteran's property tax credit end up.

The House took out \$20M extra dollars for the Homestead Tax Credit. The fiscal note is \$14.6M. That fiscal note is assuming that only 75% of the people who are eligible are going to participate in it. I've added an extra 5% thinking that would give them a little bit of leeway. There's really no way of projecting exactly what is needed but working off the fiscal note, and an additional 5%, gives them \$15.5M to cover the expansion of the Homestead Tax Credit as it is in SB 2171 right now.

That is a statutory requirement. We have in the budget already, the deficiency payment to pay for the current biennium. It is what it is. If we have to come up with the dollars, we'll come up with the dollars the next time in a deficiency payment or if that SB 2171 was to be changed somehow before the end of the session, we would have to address it in a conference committee. The change is a \$15.5M increase to cover the expansion of the Homestead Tax Credit.

We also have the disabled veterans' credit which increased the taxable valuation for disable veteran and increasing their need for more dollars and that fiscal note was \$470,000+. We figured that \$500,000 would cover that.

In addition to those changes, there was the money the House took out for the Motor Fuel Tax enforcement activities. The tax department already received over \$100,000 to do this, so we added that back in to authorize them to be able to continue that effort.

Then there is the wage compensation changes that we've been doing on all the budgets to the executive branches position. I have a second set of amendments but I'm going to hold onto them. In those amendments, we did address HB1198 if it should pass. There's a fiscal note showing that from the tax department there is a \$3M need for administering that property tax credit that would go against your income tax. For now, we're not certain that's going to pass. I didn't include that in these amendments. If it passes and we're in conference committee, we'll have to address it then.

**Senator Wanzek moved the amendments.**  
**Senator Carlisle seconded the motion.**

**Chairman Holmberg:** You are absolutely right about the deficiency appropriation and like some of those things in DPI which says you must pro-rate if you don't have enough money in this area. It's a statutory requirement. They have to pay the bills, therefore they will. Who knows where 1198 might be - it might pass the Senate with the kind of fiscal impact that the tax department talked about, yet at the end of the day, it might not be there. It's an idea that has more popularity in the Senate than it does in the House. We don't know where it's going to be.

**Voice vote - amendment adopted.**

**Senator Wanzek Do Pass as Amended on HB 1006.**  
**Senator Carlisle seconded the motion.**

**A roll call vote was taken. Yea: 13 Nay: 0 Absent: 0**

**Senator Wanzek will carry the bill on the floor.**

*JB*  
 4-10-13  
 1 of 2

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1006

Page 1, line 4, after the semicolon insert "to provide an exemption;"

Page 1, replace lines 14 through 23 with:

"Salaries and wages	\$18,797,710	\$2,276,184	\$21,073,894
Operating expenses	6,398,031	2,273,803	8,671,834
Capital assets	16,000	50,000	66,000
Homestead tax credit	8,792,788	17,392,212	26,185,000
Disabled veterans credit	<u>4,243,920</u>	<u>3,434,080</u>	<u>7,678,000</u>
Total all funds	\$38,248,449	\$25,426,279	\$63,674,728
Less estimated income	<u>10,000</u>	<u>115,000</u>	<u>125,000</u>
Total general fund	\$38,238,449	\$25,311,279	\$63,549,728
Full-time equivalent positions	134.00	0.00	134.00"

Page 2, after line 12, insert:

**"SECTION 3. EXEMPTION.** Up to \$50,000 of the general fund appropriation to the tax commissioner in section 1 of chapter 6 of the 2009 Session Laws continued into the 2011-13 biennium is not subject to provisions of section 54-44.1-11, and may be distributed by the tax commissioner as a grant to North Dakota state university department of agribusiness and applied economics, for the purpose of converting the software of the core model used for the preparation of agricultural land valuations as required under section 57-02-27.2, during the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 2, line 21, replace "four" with "five"

Page 2, line 22, replace "forty" with "fifty-one"

Page 2, line 22, replace "seven" with "nine"

Page 2, line 23, replace "one hundred sixty-one" with "two hundred fifty-three"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1006 - State Tax Commissioner - Senate Action**

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$21,151,815	\$19,758,455	\$1,315,439	\$21,073,894
Operating expenses	8,684,314	8,606,834	65,000	8,671,834
Capital assets	66,000	16,000	50,000	66,000
Homestead tax credit	30,685,000	10,685,000	15,500,000	26,185,000
Disabled veterans credit	7,178,000	7,178,000	500,000	7,678,000
Accrued leave payments		<u>624,818</u>	<u>(624,818)</u>	
Total all funds	\$67,765,129	\$46,869,107	\$16,805,621	\$63,674,728
Less estimated income	<u>125,000</u>	<u>10,000</u>	<u>115,000</u>	<u>125,000</u>
General fund	\$67,640,129	\$46,859,107	\$16,690,621	\$63,549,728
FTE	134.00	134.00	0.00	134.00

**Department No. 127 - State Tax Commissioner - Detail of Senate Changes**

	Restores Executive Compensation Package <sup>1</sup>	Removes Separate Line Item for Accrued Leave Payments <sup>2</sup>	Restores Funding for Homestead Tax Credit Expansion <sup>3</sup>	Adds Funding for the Disabled Veterans Credit <sup>4</sup>	Restores Funding for Motor Fuel Tax Enforcement <sup>5</sup>	Total Senate Changes
Salaries and wages	\$690,621	\$624,818				\$1,315,439
Operating expenses					65,000	65,000
Capital assets					50,000	50,000
Homestead tax credit			15,500,000			15,500,000
Disabled veterans credit				500,000		500,000
Accrued leave payments		(624,818)				(624,818)
<b>Total all funds</b>	<b>\$690,621</b>	<b>\$0</b>	<b>\$15,500,000</b>	<b>\$500,000</b>	<b>\$115,000</b>	<b>\$16,805,621</b>
Less estimated income	0	0	0	0	115,000	115,000
<b>General fund</b>	<b>\$690,621</b>	<b>\$0</b>	<b>\$15,500,000</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$16,690,621</b>
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

<sup>2</sup> The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

<sup>3</sup> Funding is provided for expanding the homestead tax credit program. The executive budget recommendation included \$20 million for the expansion which the House removed.

<sup>4</sup> Funding is added for the disabled veterans tax credit program to provide for a total of \$7,678,000.

<sup>5</sup> Funding removed by the House for motor fuels tax enforcement program activities is restored to the Governor's recommended level.

A section is added to allow carryover authority for general fund expenditures relating to a grant to NDSU for software conversion.

Section 4 of the bill is amended to provide 4 percent annual salary increases for the Tax Commissioner, the same as the executive budget recommendation. The House provided 3 percent annual increases.

Date: 4-10-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES

BILL/RESOLUTION NO. 1006

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 13-8135-02001

Action Taken  Adopt Amendment  Do Pass  
 Do Pass as Amended  Do Not Pass

Motion Made By Wanzek Seconded By Carlisle

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg			Senator Tim Mathern		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		
Senator Karen Krebsbach					
Senator Robert Erbele					
Senator Terry Wanzek					
Senator Ron Carlisle					
Senator Gary Lee					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

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

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

*Voiced vote  
carried*

Date: 4-10-13

Roll Call Vote # 2

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES

BILL/RESOLUTION NO. 1006

Senate Appropriations Committee

Check here for Conference Committee

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

Action Taken  Adopt Amendment  Do Pass  
 Do Pass as Amended  Do Not Pass

Motion Made By Wanzek Seconded By Carlisle

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Wanzek

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

**REPORT OF STANDING COMMITTEE**

**HB 1006, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1006 was placed on the Sixth order on the calendar.

Page 1, line 4, after the semicolon insert "to provide an exemption;"

Page 1, replace lines 14 through 23 with:

"Salaries and wages	\$18,797,710	\$2,276,184	\$21,073,894
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Page 2, line 23, replace "one hundred sixty-one" with "two hundred fifty-three"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1006 - State Tax Commissioner - Senate Action**

	<b>Executive Budget</b>	<b>House Version</b>	<b>Senate Changes</b>	<b>Senate Version</b>
Salaries and wages	\$21,151,815	\$19,758,455	\$1,315,439	\$21,073,894
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FTE	134.00	134.00	0.00	134.00

**Department No. 127 - State Tax Commissioner - Detail of Senate Changes**

	Restores Executive Compensation Package <sup>1</sup>	Removes Separate Line Item for Accrued Leave Payments <sup>2</sup>	Restores Funding for Homestead Tax Credit Expansion <sup>3</sup>	Adds Funding for the Disabled Veterans Credit <sup>4</sup>	Restores Funding for Motor Fuel Tax Enforcement <sup>5</sup>	Total Senate Changes
Salaries and wages	\$690,621	\$624,818				\$1,315,439
Operating expenses					65,000	65,000
Capital assets					50,000	50,000
Homestead tax credit			15,500,000			15,500,000
Disabled veterans credit				500,000		500,000
Accrued leave payments		(624,818)				(624,818)
<b>Total all funds</b>	<b>\$690,621</b>	<b>\$0</b>	<b>\$15,500,000</b>	<b>\$500,000</b>	<b>\$115,000</b>	<b>\$16,805,621</b>
Less estimated income	0	0	0	0	115,000	115,000
<b>General fund</b>	<b>\$690,621</b>	<b>\$0</b>	<b>\$15,500,000</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$16,690,621</b>
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

<sup>2</sup> The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

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<sup>4</sup> Funding is added for the disabled veterans tax credit program to provide for a total of \$7,678,000.

<sup>5</sup> Funding removed by the House for motor fuels tax enforcement program activities is restored to the Governor's recommended level.

A section is added to allow carryover authority for general fund expenditures relating to a grant to NDSU for software conversion.

Section 4 of the bill is amended to provide 4 percent annual salary increases for the Tax Commissioner, the same as the executive budget recommendation. The House provided 3 percent annual increases.

**2013 CONFERENCE COMMITTEE**

**HB 1006**

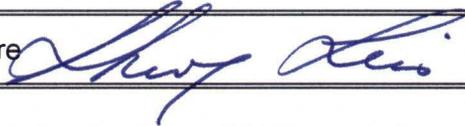
# 2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division  
Medora Room, State Capitol

HB1006  
April 18, 2013  
Recording Job# 21279

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the tax commissioner's salary; and to provide for a transfer.

## Minutes:

**Chairman Brandenburg:** Opened the conference committee on HB1006.

**Chairman Brandenburg:** Went through the changes made by the Senate. Operating expense and capital assets of \$65,000.00 and \$50,000.00; what was that about?

**Senator Wanzek:** It's about it it's \$115,000.00 for the motor fuels tax enforcement program. The tax department has worked in conjunction with the DOT and the highway patrol. They already have the money; the department has the federal dollars in their possession and it's a matter of authorizing them to be able to spend it.

**Chairman Brandenburg:** They do have the motor pool where they can get a pickup from and it's about a pickup for doing the dye test.

**Senator Wanzek:** It's regarding the off road fuel tax enforcement of it. It's for spot checks to make sure that people are complying with the use of road fuel and paying the tax.

**Chairman Brandenburg:** It's for the dyed fuel and then there's some federal money for a new vehicle. They're doing it right now and they're working with DOT and highway patrol.

**Senator Wanzek:** The only thing I was told was that the federal money was already in their possession.

**Chairman Brandenburg:** Let's talk about the homestead tax credit.

**Senator Wanzek:** We've expanded the homestead tax credit program. We've raised the asset test and the income eligibility requirements to bring more people into the homestead tax credit program. The fiscal note on that was \$14,600,000.00; that assumes that there is 75% participation. The tax department suggested that we put the full \$20 million back in. I

allowed for an extra 5% leeway which would be \$15.5 million. We've also expanded the disabled veteran's tax credit and put in an additional \$500,000.00.

**Representative Kempenich:** SB2171 is just a fiscal note; there's no appropriation in that?

**Becky Keller, Fiscal Analyst, ND Legislative Council:** That's correct. The amount was previously included in the tax departments appropriation bill which the House removed.

**Senator Holmberg:** You will see a couple of other budgets coming over with this type of amendment.

**Chairman Brandenburg:** Didn't we have some deficiencies there also?

**Senator Holmberg:** Unlike some of the programs in the public instruction budget where it says here's \$20 million for this program and if you run out of money you have to prorate; this is statutory, they have to pay and then they will come to the next session if they don't have enough money.

**Chairman Brandenburg:** The idea behind it is to keep people in their homes.

**Representative Glassheim:** I just wanted to make sure did SB2171 pass? Did you already vote to pass it?

**Senator Wanzek:** We passed it.

**Representative Kempenich:** I was looking at HB1306 and there is a \$50,000.00 appropriation. What's that for? That's for training service dogs.

**Senator Mathern:** I would add a comment that though we ourselves have different ways of covering this; the people living in houses get anxious. We give comfort and support that people feel assured that they aren't going to be in the lurch.

**Chairman Brandenburg:** We'll probably have to have some more discussion on this federally funded pickup.

**Senator Holmberg:** You don't want to spend federal money to nab scoff laws who are breaking the law?

**Chairman Brandenburg:** They work with the DOT and highway patrol and they've been able to do it.

**Senator Wanzek:** Are there other applications they can use that money for? I was told they already have the money; it's about authorizing them to utilize it.

**Chairman Brandenburg:** The House is going to have to think about this.

**Senator Holmberg:** Would there be merit when you go back upstairs; that we not meet again until we can resolve the pay package?

**Representative Kempenich:** I don't know where HB1306 is at; but the number could change. I think the intent from both chambers is that we're going to fund some sort of homestead tax credit and disabled veterans.

**Chairman Brandenburg:** Closed the conference committee.

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division  
Medora Room, State Capitol

HB1006  
April 22, 2013  
Recording Job# 21411

Conference Committee

Committee Clerk Signature
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## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the tax commissioner's salary; and to provide for a transfer.

## Minutes:

**Chairman Brandenburg:** Opened the conference committee on HB1006. He went through the topics of discussion.

**Representative Glassheim:** The homestead tax credit is dependent on SB2171 isn't it? The amount is dependent upon what the policy is in SB2171; so we would have to accommodate whatever that is in here.

**Chairman Brandenburg:** That would be about \$900,000.00 if that's the difference.

**Senator Holmberg:** We added in over and above what you had had to try to get closer to what they thought it might be.

**Chairman Brandenburg:** What did we put in there and what did the Senate put in there?

**Becky Keller, Fiscal Analyst, ND Legislative Council:** The House removed the \$20 million; the Senate restored \$15.5 million. Although the fiscal note says \$14.6 million, the Senate considered going above the 75% participation rate and moving it up a little closer.

**Chairman Brandenburg:** That's the same thing with the \$500,000.00 for disabled veterans? Did we remove that also or did we leave the \$500,000.00 in there?

**Becky Keller:** I believe you left the disabled as it was and this is just an additional amount.

**Chairman Brandenburg:** What was the funding before?

**Becky Keller:** That would be for HB1306.

**Representative Glassheim:** \$7.1 million.

**Becky Keller:** The executive budget added the \$2.9 million for a total of \$7.17 million.

**Chairman Brandenburg:** We removed it; the Senate put in \$15.5 million and the disabled veteran's is \$7.6 million and we had \$7.1 million and the Senate added \$500,000.00 more.

**Senator Holmberg:** We put the money back under the homestead tax credit because that's where the bill was roughly at that time. At the end of the day, they have to pay the bill if we don't give them any money; they can't prorate.

**Chairman Brandenburg:** We don't want to have too big of a deficiency at the end of next biennium to make up.

**Senator Holmberg:** If they don't use it, it comes back. We tried to get the best guess as to what they actually would spend.

**Representative Kempenich:** That HB1306 for the disabled veterans that's pretty much a done deal isn't it?

**Chairman Brandenburg:** The Senate did add another \$500,000.00.

**Senator Wanzek:** Did you visit at all about the \$115,000.00?

**Chairman Brandenburg:** No, we didn't.

**Representative Glassheim:** If I recall correctly SB2171; we came in slightly under the Senate. Since we changed the asset level; it won't be more than the \$15.5 million.

**Chairman Brandenburg:** We probably have to have one more meeting.

**Senator Wanzek:** The concern with the \$115,000.00 might have been the capital assets of \$50,000.00; what if we were to authorize it but allow them to use it for training, meetings regarding enforcement for operational and if they need a vehicle, they would go to the motor pool. They already have the money; but, redirect it more towards the enforcement activities and the possible training of staff to conduct their responsibilities?

**Chairman Brandenburg:** You're talking about the \$50,000.00 capital asset for the equipment? They have the operating expense of \$65,000.00. Which one are you talking about?

**Senator Wanzek:** Yes.

**Chairman Brandenburg:** Which one are you talking about?

**Senator Wanzek:** I'm talking about repurposing the \$50,000.00. They could be authorized to use it more in the operating line versus a capital asset.

**Chairman Brandenburg:** So put the whole \$115,000.00 into operating?

**Senator Wanzek:** To authorize it for operating if they don't need it. I understand they already have the federal funding for it.

**Representative Kempenich:** Didn't they have \$30,000.00 that used already on this line?

**Senator Wanzek:** Can you tell us how much of that might have been spent so far and what the need might be as far as training? You raised the issue of possibly needing some training dollars and would look at the motor pool instead of making a capital asset purchase.

**Cory Fong, Commissioner, ND Tax Department:** We have \$10,000.00 currently that we're able to access for the purpose of the enforcement. We applied to the feds for grants which was the \$115,000.00. We split that up in our request; \$50,000 capital asset and \$65,000.00 in operating. What Senator Wanzek is suggesting is taking that \$50,000.00 which was for capital assets which would have been primarily for the purchase of a vehicle. To move all of that into the operating line; the whole \$115,000.00 would then be used in operating. We could use that for training, travel, for our staff to go to these conferences to learn more about motor fuel enforcement, it could be used for education and it would be used for us to then acquire or use a vehicle through DOT. We think that would be a good alternative; it would continue to allow us to use the grant that we've applied for and receive funding for. It would be agreeable to us.

**Chairman Brandenburg:** We'll take that under consideration.

**Senator Mathern:** It appears that maybe we can have amendments drawn up that address all of these agreements and change this \$50,000.00 into the operating.

**Chairman Brandenburg:** I think we need to have this discussion.

**Senator Holmberg:** If your discussions lead to the acceptance of what we've discussed here I would certainly hope you would ask Becky to prepare the amendments.

**Chairman Brandenburg:** That's agreeable.

**Chairman Brandenburg:** Closed the conference committee.

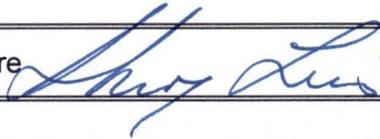
# 2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division  
Medora Room, State Capitol

HB1006  
April 30, 2013  
Recording Job# 21634

Conference Committee

Committee Clerk Signature



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

A BILL for an Act to provide an appropriation for defraying the expenses of the office of the tax commissioner and for payment of state reimbursement under the homestead tax credit and disabled veterans credit; to amend and reenact section 57-01-04 of the North Dakota Century Code, relating to the tax commissioner's salary; and to provide for a transfer.

## Minutes:

**Chairman Brandenburg:** Opened the conference committee on HB1006.

**Representative Jason Dockter, District 7, ND Legislative Assembly:** We just settled. The current law is \$10 million; we raised the asset test to \$500,000.00 and we took out the 20% social security and we kept our brackets the same. The fiscal note is going to be between \$7.5 million and \$9.5 million; so the total project will be about \$20 million.

**Chairman Brandenburg:** The total is \$20 million. Does that coincide with council and OMB?

**Senator Wanzek:** Was that a reduction in the eligibility from where the bill was at before it went to conference?

**Representative Dockter:** We reduced the brackets and the asset test to \$200,000.00. We added that you could exclude 20% of your social security income for the income bracket. The main purpose of the homestead tax credit is to get the low income and that's what we tried to capture. This will be in addition to any other property tax relief that we do.

**Senator Wanzek:** So you're saying it's right around \$9 million? The fiscal note we had before you went into conference was \$14.6 million.

**Representative Dockter:** That's correct. The majority of that amount came because the House excluded 20% of social security income.

**Senator Wanzek:** You're not including the \$1.9 million to meet the increased need under the current environment also?

**Representative Dockter:** The Senate came in at \$15.9 million and we were at \$14.6 million. When the governor proposed his bill, he had no asset test, 100% of social security was exempt and his brackets were a lot higher. The initial fiscal note was \$20 million. The Senate put in the safeguard with the asset test and we came with ours. We still don't know the fiscal impact is until it goes for two years. The tax department is basing it on 75% participation; if we get 100% participation the fiscal note could go higher; if it goes to 50% it could go lower. So now if you have a house worth \$200,000.00, you still could have \$300,000.00 worth of assets and still qualify. Also in the original bill your home was excluded up to \$75,000.00.

**Senator Holmberg:** Is it the case that this would be statutory so that if we \$20 million in the bill and it costs \$21 million, that the department would have to come for a deficiency appropriation and not prorate anything?

**Representative Dockter:** That's my understanding. That was the concern and that's why we put the safeguards as far as the asset test in and not counting all your social security as income. It could end up to be \$30 million; we just don't know.

**Representative Kempenich:** It could work the other way also. It would have to be re-appropriated next biennium also.

**Senator Wanzek:** The \$1.9 million I'm talking about is already built into the budget. It's the cover for the current homestead credit program; there are additional demands on that.

**Representative Glassheim:** Is it \$7 to 9 million in addition to \$10 million?

**Representative Dockter:** We're almost going to be doubling the appropriation from last biennium for the program.

**Joe Morrisette, Fiscal Analyst, ND Office of Management and Budget:** If you appropriate \$20 million and it doesn't cost \$20 million it will go back to the general fund. I got a message from Cathy Strombeck who's working on the fiscal note right now. The fiscal note will show \$7.8 million for that change; so if you add it to the \$10.7 million that's in the budget, \$18.5 would match the fiscal note.

**Chairman Brandenburg:** We had a deficiency appropriation of about \$3 million or \$4 million; so if we add \$2 million to this, we're somewhere in the mid-range. The Senate added \$500,000.00 to the disabled veterans tax credit.

**Senator Wanzek:** I want to make it clear that when you're saying \$20 million; you mean \$20 million in total. The House took \$20 million additional money out; you're talking about adding \$9 million back in.

**Representative Kempenich:** Yes.

**Senator Wanzek:** The \$500,000.00 we added was based on a fiscal note for HB1306. I believe that's been signed into law.

**Chairman Brandenburg:** I suppose we need to talk about the \$115,000.00. What are you going to do there?

**Representative Kempenich:** We're going to move it to operating.

**Senator Wanzek:** That was the last suggestion that we could just move it all to operating and they could access a vehicle from the motor pool to do the enforcement activities.

**Senator Mathern:** Are we basically saying for total dollars that we're using the amount that was in the original budget of \$20 million?

**Representative Kempenich:** We're not restoring the \$20 million; because in the executive budget the original amount was \$36.85 million; we're adding \$9.315 million to the \$10.685 million for a total of \$20 million.

**Senator Wanzek:** Made a motion to recede from the Senate's amendments and further amend to the agreed upon compensation package, the accrued leave line and the \$9.315 million so we can equal the \$20 million total for homestead tax credit, \$500,000.00 for the disabled veteran's tax credit, moving the \$50,000.00 in capital asset lines to the operating line for a total of \$115,000.00.

**Senator Holmberg:** Seconded the motion.

Roll call vote 6 Yeas 0 Nays 0 Absent

**Chairman Brandenburg:** Closed the conference committee.

VR  
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 102

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1006

That the Senate recede from its amendments as printed on pages 1508-1510 of the House Journal and pages 1327-1329 of the Senate Journal and that Engrossed House Bill No. 1006 be amended as follows:

Page 1, line 4, after the semicolon insert "to provide an exemption;"

Page 1, replace lines 14 through 23 with:

"Salaries and wages	\$18,797,710	\$1,340,778	\$20,138,488
Accrued leave payments	0	624,818	624,818
Operating expenses	6,398,031	2,323,803	8,721,834
Capital assets	16,000	0	16,000
Homestead tax credit	8,792,788	11,207,212	20,000,000
Disabled veterans credit	<u>4,243,920</u>	<u>3,434,080</u>	<u>7,678,000</u>
Total all funds	\$38,248,449	\$18,930,691	\$57,179,140
Less estimated income	<u>10,000</u>	<u>115,000</u>	<u>125,000</u>
Total general fund	\$38,238,449	\$18,815,691	\$57,054,140
Full-time equivalent positions	134.00	0.00	134.00"

Page 2, after line 12, insert:

**"SECTION 3. EXEMPTION.** Up to \$50,000 of the general fund appropriation to the tax commissioner in section 1 of chapter 6 of the 2009 Session Laws continued into the 2011-13 biennium is not subject to provisions of section 54-44.1-11, and may be distributed by the tax commissioner as a grant to the North Dakota state university department of agribusiness and applied economics, for the purpose of converting the software of the core model used for the preparation of agricultural land valuations as required under section 57-02-27.2, during the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 2, line 21, replace "four" with "five"

Page 2, line 22, replace "forty" with "fifty"

Page 2, line 22, replace "seven" with "eight"

Page 2, line 23, replace "one hundred sixty-one" with "two hundred two"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1006 - State Tax Commissioner - Conference Committee Action**

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$21,151,815	\$19,758,455	\$380,033	\$20,138,488	\$21,073,894	(\$935,406)
Operating expenses	8,684,314	8,606,834	115,000	8,721,834	8,671,834	50,000
Capital assets	66,000	16,000		16,000	66,000	(50,000)
Homestead tax credit	30,685,000	10,685,000	9,315,000	20,000,000	26,185,000	(6,185,000)
Disabled veterans credit	7,178,000	7,178,000	500,000	7,678,000	7,678,000	
Accrued leave payments		624,818		624,818		624,818

Total all funds	\$67,765,129	\$46,869,107	\$10,310,033	\$57,179,140	\$63,674,728	(\$6,495,588)
Less estimated income	125,000	10,000	115,000	125,000	125,000	0
General fund	\$67,640,129	\$46,859,107	\$10,195,033	\$57,054,140	\$63,549,728	(\$6,495,588)
FTE	134.00	134.00	0.00	134.00	134.00	0.00

**Department No. 127 - State Tax Commissioner - Detail of Conference Committee Changes**

	Removes House Changes to Executive Compensation Package <sup>1</sup>	Adjusts State Employee Compensation and Benefits Package <sup>2</sup>	Restores Funding for Homestead Tax Credit Expansion <sup>3</sup>	Adds Funding for the Disabled Veterans Credit <sup>4</sup>	Restores Funding for Motor Fuel Tax Enforcement <sup>5</sup>	Total Conference Committee Changes
Salaries and wages	\$690,621	(\$310,588)				\$380,033
Operating expenses					115,000	115,000
Capital assets						
Homestead tax credit			9,315,000			9,315,000
Disabled veterans credit				500,000		500,000
Accrued leave payments						
Total all funds	\$690,621	(\$310,588)	\$9,315,000	\$500,000	\$115,000	\$10,310,033
Less estimated income	0	0	0	0	115,000	115,000
General fund	\$690,621	(\$310,588)	\$9,315,000	\$500,000	\$0	\$10,195,033
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Changes made by the House to the executive compensation package are removed.

<sup>2</sup> This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

<sup>3</sup> Funding is provided for expanding the homestead tax credit program due to provisions for the tax credit included in Senate Bill No. 2171. The Senate version included \$15.5 million for the expansion. The executive budget recommendation included \$20 million for the expansion which the House removed.

<sup>4</sup> Funding is added for the disabled veterans tax credit program to provide for a total of \$7,678,000, the same as the Senate version. This funding was not included in the House version.

<sup>5</sup> Funding removed by the House for motor fuels tax enforcement program activities is restored to the Governor's recommended level, except that \$50,000 included in the capital assets line item in the executive budget recommendation is moved to the operating expenses line item. The Senate version included \$65,000 in the operating expenses line item and \$50,000 in the capital assets line item.

A section is added to allow general fund carryover authority of up to \$50,000 to provide as a grant to North Dakota State University for software conversion, the same as the Senate version.

Section 4 of the bill is amended to provide a 4 percent annual salary increase for the first year and a 3 percent annual salary increase for the second year for the Tax Commissioner. The executive budget recommendation and the Senate version provided 4 percent annual increases. The House provided 3 percent annual increases.

## 2013 HOUSE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: House Appropriations-Government Operations

Bill/Resolution No. HB1006 as (re) engrossed

Date: April 30, 2013

Roll Call Vote #: 1

- Action Taken**
- HOUSE accede to Senate amendments
  - HOUSE accede to Senate amendments and further amend
  - SENATE recede from Senate amendments
  - SENATE recede from Senate amendments and amend as follows

House/Senate Amendments on HJ/SJ page(s) 1508 - 1510

- Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) HB1006 was placed on the Seventh order of business on the calendar

Motion Made by: Senator Wanzek Seconded by: Senator Holmberg

Representatives	4-			Yes	No		Senators	04-			Yes	No
	18	22	30					18	22	30		
Chairman Brandenburg	X	X	X	X			Senator Wanzek	X	X	X	X	
Rep Kempenich	X	X	X	X			Senator Holmberg	X	X	X	X	
Rep Glassheim	x	x	x	x			Senator Mathern	x	x	x	X	

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Rep Brandenburg Senate Carrier Senator Wanzek

LC Number \_\_\_\_\_ . 02004 of amendment

LC Number \_\_\_\_\_ . \_\_\_\_\_ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment \$9.315 million to homestead tax credit \$50,000.00 in capital assets to operating line, \$500,000.00 to disabled veterans tax credit and compensation package

**REPORT OF CONFERENCE COMMITTEE**

**HB 1006, as engrossed:** Your conference committee (Sens. Wanzek, Holmberg, Mathern and Reps. Brandenburg, Kempenich, Glassheim) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1508-1510, adopt amendments as follows, and place HB 1006 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1508-1510 of the House Journal and pages 1327-1329 of the Senate Journal and that Engrossed House Bill No. 1006 be amended as follows:

Page 1, line 4, after the semicolon insert "to provide an exemption;"

Page 1, replace lines 14 through 23 with:

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Accrued leave payments	0	624,818	624,818
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Less estimated income	<u>10,000</u>	<u>115,000</u>	<u>125,000</u>
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Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1006 - State Tax Commissioner - Conference Committee Action**

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Disabled veterans credit	7,178,000	7,178,000	500,000	7,678,000	7,678,000	
Accrued leave payments		624,818		624,818		624,818
Total all funds	\$67,765,129	\$46,869,107	\$10,310,033	\$57,179,140	\$63,674,728	(\$6,495,588)
Less estimated income	125,000	10,000	115,000	125,000	125,000	0
	\$67,640,129	\$46,859,107	\$10,195,033	\$57,054,140	\$63,549,728	(\$6,495,588)

General fund						
FTE	134.00	134.00	0.00	134.00	134.00	0.00

**Department No. 127 - State Tax Commissioner - Detail of Conference Committee Changes**

	Removes House Changes to Executive Compensation Package <sup>1</sup>	Adjusts State Employee Compensation and Benefits Package <sup>2</sup>	Restores Funding for Homestead Tax Credit Expansion <sup>3</sup>	Adds Funding for the Disabled Veterans Credit <sup>4</sup>	Restores Funding for Motor Fuel Tax Enforcement <sup>5</sup>	Total Conference Committee Changes
Salaries and wages	\$690,621	(\$310,588)				\$380,033
Operating expenses					115,000	115,000
Capital assets						
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Disabled veterans credit				500,000		500,000
Accrued leave payments						
<b>Total all funds</b>	<b>\$690,621</b>	<b>(\$310,588)</b>	<b>\$9,315,000</b>	<b>\$500,000</b>	<b>\$115,000</b>	<b>\$10,310,033</b>
Less estimated income	0	0	0	0	115,000	115,000
<b>General fund</b>	<b>\$690,621</b>	<b>(\$310,588)</b>	<b>\$9,315,000</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$10,195,033</b>
FTE	0.00	0.00	0.00	0.00	0.00	0.00

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A section is added to allow general fund carryover authority of up to \$50,000 to provide as a grant to North Dakota State University for software conversion, the same as the Senate version.

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year and a 3 percent annual salary increase for the second year for the Tax Commissioner. The executive budget recommendation and the Senate version provided 4 percent annual increases. The House provided 3 percent annual increases.

Engrossed HB 1006 was placed on the Seventh order of business on the calendar.

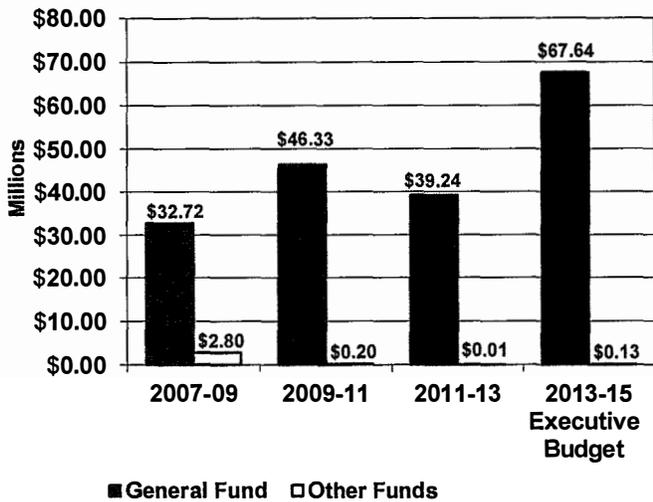
**2013 TESTIMONY**

**HB 1006**

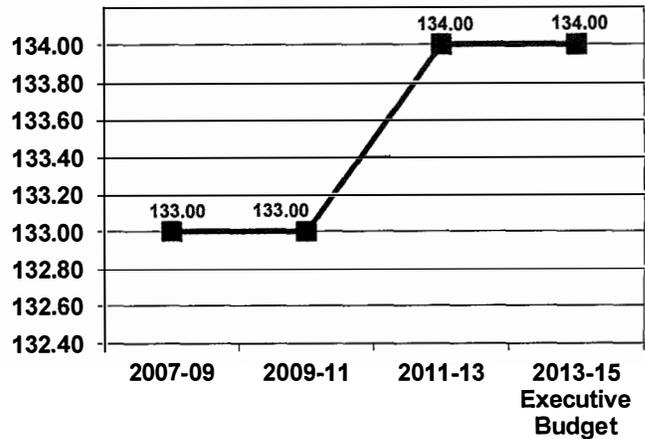
**Department 127 - State Tax Commissioner  
House Bill No. 1006**

	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	134.00	\$67,640,129	\$125,000	\$67,765,129
2011-13 Legislative Appropriations	134.00	39,238,449	10,000	39,248,449
Increase (Decrease)	0.00	\$28,401,680	\$115,000	\$28,516,680

**Agency Funding**



**FTE Positions**



**Ongoing and One-Time General Fund Appropriations**

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2013-15 Executive Budget	\$66,527,765	\$1,112,364	\$67,640,129
2011-13 Legislative Appropriations	38,238,449	1,000,000	39,238,449
Increase (Decrease)	\$28,289,316	\$112,364	\$28,401,680

**Executive Budget Highlights**

	General Fund	Other Funds	Total
1. Provides additional funding for the current homestead tax credit program to provide a total of \$10,685,000 for the current program	\$1,892,212		\$1,892,212
2. Provides funding to expand the homestead tax credit program	\$20,000,000		\$20,000,000
3. Provides additional funding for the disabled veterans credit program to provide a total of \$7,178,000	\$2,934,080		\$2,934,080
4. Provides funding to continue the bundled contract for support, maintenance, and upgrades for the GenTax system	\$1,000,000		\$1,000,000
5. Adds <b>one-time funding</b> for implementing the taxpayer access point (TAP) module for the GenTax system	\$1,000,000		\$1,000,000
6. Provides additional federal funds for motor fuel tax enforcement activities		\$115,000	\$115,000
7. Provides funding for state employee salary increases of which \$974,958 relates to performance increases and \$375,994 is for market equity adjustments	\$1,350,952		\$1,350,952

**Other Sections in Bill**

**Salary of Tax Commissioner** - Section 4 provides the statutory changes necessary to increase the Tax Commissioner's salary as follows:

Annual salary authorized by the 2011 Legislative Assembly:

July 1, 2011	\$98,068
July 1, 2012	\$101,010

Proposed annual salary recommended in the 2013-15 executive budget:

July 1, 2013	\$105,051
July 1, 2014	\$109,253

The executive budget includes funding for elected officials' salary increases equal to 4 percent of salaries effective July 1, 2013, and 4 percent effective July 1, 2014.

### **Continuing Appropriations**

There are no continuing appropriations for this agency.

### **Significant Audit Findings**

The operational audit for the Tax Department conducted by the State Auditor's office during the 2011-12 interim identified no significant audit findings.

### **Major Related Legislation**

**House Bill No. 1023** - Subdivision 1 of Section 1 provides a deficiency appropriation of \$981,855 from the general fund for the disabled veterans tax credit program for the 2011-13 biennium.

**Senate Bill No. 2106** - Requires permits and registrations of persons using roll-your-own cigarette machines. Cigarettes made on these machines are subject to wholesale tobacco taxes.



STATE OF NORTH DAKOTA  
**OFFICE OF STATE TAX COMMISSIONER**  
 Cory Fong, Commissioner

HB 1006  
 1-17-13  
 # 1

**BUDGET PRESENTATION**

**HOUSE APPROPRIATIONS COMMITTEE**  
**REPRESENTATIVE BLAIR THORESON, CHAIRMAN**

**House Bill 1006**  
**January 17, 2013**

**Agency overview**

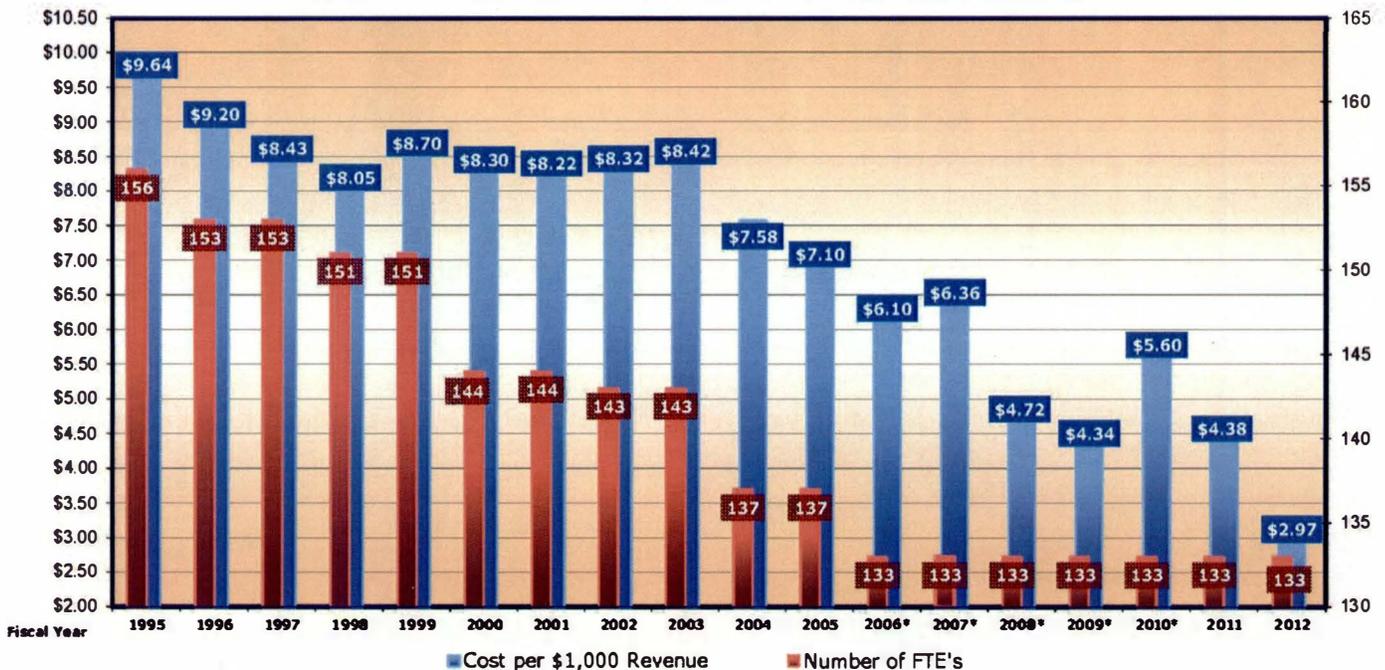
The Office of State Tax Commissioner’s mission is to fairly and effectively administer the tax laws of North Dakota. In addition, the Department’s vision statement and guiding principles emphasize customer service as a top priority and stress the importance of providing prompt, accurate, and courteous service while promoting compliance with the tax laws of North Dakota.

The most recent audit of the Office of State Tax Commissioner for the biennium ending June 30, 2011, did not reflect any formal financial audit findings.

For the 2011–13 biennium, the Tax Department is anticipated to collect nearly 95 percent of all general fund dollars (excluding transfers). We estimate that to be just under \$4.3 billion for the 2011-13 biennium. In Fiscal Year 2011, the Tax Department collected \$2.869 billion. In FY 2012, total revenue collected was \$4.096 billion, for a 43 percent increase from FY 2011.

The cost to collect \$1,000 in revenue for FY 2012 was \$2.97 compared to \$9.64 in 1995. This equates to a numeric reduction of \$6.67 when comparing dollar amounts. Adjusting for inflation, the 1995 cost would be \$14.51 today, for a drop of \$11.54 in real terms.

**Tax Department Total Cost per \$1,000 Revenue Collected**



**Budget overview**

Line Item/ \$ Object Description	Appropriation 2011-2013	Estimated Expenses 2011-2013	Variance		Governor's Recommended 2013-2015	Inc/(Decr) Recommended over 11-13 Appn	
Salaries & Wages	18,797,710	17,918,710	879,000	1	21,151,815	2,354,105	2
Operating Expenses	7,448,031	7,427,031	21,000	3	8,684,314	1,236,283	4
Capital Assets	16,000	16,000	0		66,000	50,000	5
<b>Subtotal</b>	<b>26,261,741</b>	<b>25,361,741</b>	<b>900,000</b>		<b>29,902,129</b>	<b>3,640,388</b>	
% of Change						13.9%	
Homestead Tax Credit (General Fund)	8,792,788	8,792,788	0		30,685,000	21,892,212	6
Disabled Veterans Credit (General Fund)	4,243,920	5,225,775	(981,855)	7	7,178,000	2,934,080	8
<b>TOTAL FOR DEPARTMENT</b>	<b>\$39,298,449</b>	<b>\$39,380,304</b>	<b>(81,855)</b>		<b>\$67,765,129</b>	<b>\$28,466,680</b>	
# FTE	134				134	134	
<b>TOTAL GENERAL FUND</b>	<b>39,288,449</b>	<b>39,370,304</b>	<b>(81,855)</b>		<b>67,640,129</b>	<b>28,351,680</b>	
<b>TOTAL SPECIAL FUND</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	
<b>TOTAL FEDERAL FUND</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>		<b>125,000</b>	<b>115,000</b>	
<b>TOTAL FUNDING SOURCE</b>	<b>\$39,298,449</b>	<b>\$39,380,304</b>	<b>(\$81,855)</b>		<b>\$67,765,129</b>	<b>\$28,466,680</b>	
% of Change						72.4%	

- <sup>1</sup> The projected variance in Salaries is due to savings from vacancies including projected unspent contingency funds. As of 12/30/2012 we had five vacancies.
- <sup>2</sup> The increase in the Salary line includes the cost to continue the 2011-13 biennium salary expenses and the proposed salary compensation package recommended by the Governor.
- <sup>3</sup> The variance represents the projected amount of unspent contingency funds by the end of the biennium.
- <sup>4</sup> The base budget request reflects the reduction for savings generated in our operating line, a reduction for a one-time appropriation, an increase for additional federal funds being made available for the Department's motor fuel tax enforcement program, an increase of \$1.0 million for continuing a comprehensive service contract for the upgrade, maintenance, and support of GenTax, and a one-time appropriation of \$1.0 million to implement the taxpayer access point (TAP) module of GenTax to improve online filing and payment options for taxpayers.
- <sup>5</sup> The increase in capital assets is due to additional federal funds being made available for the Department's motor fuel tax enforcement program.
- <sup>6</sup> An additional \$20 million is recommended to expand the Homestead Credit program through eliminating the asset test, raising the income threshold to \$50,000 per household, and excluding Social Security benefits from the calculation of income. (SB 2171)
- <sup>7</sup> A deficiency appropriation of \$981,855 is requested for the Disabled Veterans Credit program for the remainder of the 2011-13 biennium. (HB 1023)
- <sup>8</sup> The 2013-15 increase for the Disabled Veterans Credit program reflects the amount needed to fully fund this program based on current program eligibility requirements.

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## Agency Accomplishments

The Office of State Tax Commissioner's top priority continues to be focused on providing taxpayers with excellent customer service. During the 2009–11 biennium, the Department pursued various customer service-related activities.

- **GenTax Upgrade.** In May 2012 we successfully completed the upgrade from GenTax Version 6 to GenTax Version 8. As a result of this upgrade we now have a more robust and enhanced system. Each GenTax application server is now able to run and/or take over if another server fails. We are now able to take part in a new feature called data exchange. Security, which is always a major concern, has also received an overhaul with Version 8. Taxpayer Access Point (TAP), GenTax's integrated web solution, has been completely redesigned with Version 8 to support multiple end-user operating systems and browser platforms, allowing us to provide web solutions that will work from a PC, Mac, or mobile device. Version 8 provides enhanced developer tools to our IT staff, allowing us to configure returns and worksheets to look more like the real return or document.
- **Expanded E-File Services.** During 2012, just over 80 percent of the eligible individual income tax returns were filed electronically with the Office of State Tax Commissioner. This represents growth of nearly 13 percent compared to the number of e-file returns received during 2011. In January 2010, the Tax Department offered individual taxpayers the option to file a state-only individual income tax return online through the new North Dakota Individual Income Tax WebFile system. TAP was the tool used to develop this WebFile option. In addition to the individual income tax e-file, the Tax Department also offers electronic filing options for three business tax types: Corporations, Partnerships, and Subchapter S Corporations.
- **Discovery/Compliance Achievements.** During the 2011–13 biennium, the Office of State Tax Commissioner continued its discovery work in individual income tax, corporate income tax, and sales tax. This work resulted in an additional \$3.8 million in collections for fiscal year 2011 and \$11 million in fiscal year 2012.
  - Dyed fuel enforcement projects in cooperation with the Highway Patrol and the Department of Transportation.
  - The multi-agency Contractor Compliance task force inspected 61 sites involving 181 contractors. The task force found 30 unlicensed contractors of which work was suspended for 12 of the unlicensed contractors.
- **Customer Service Initiatives.** New initiatives include:
  - One-stop shop to educate contractors about their responsibilities as they pursue business in the state of North Dakota.
  - Joint North Dakota and IRS seminars to educate taxpayers and property owners affected by the 2011 flood in Bismarck and Minot.
  - YouTube messages were established as an outreach to promote the individual income tax filing season and educate taxpayers about a number of individual income tax resources.

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## Future Critical Issues & Needs

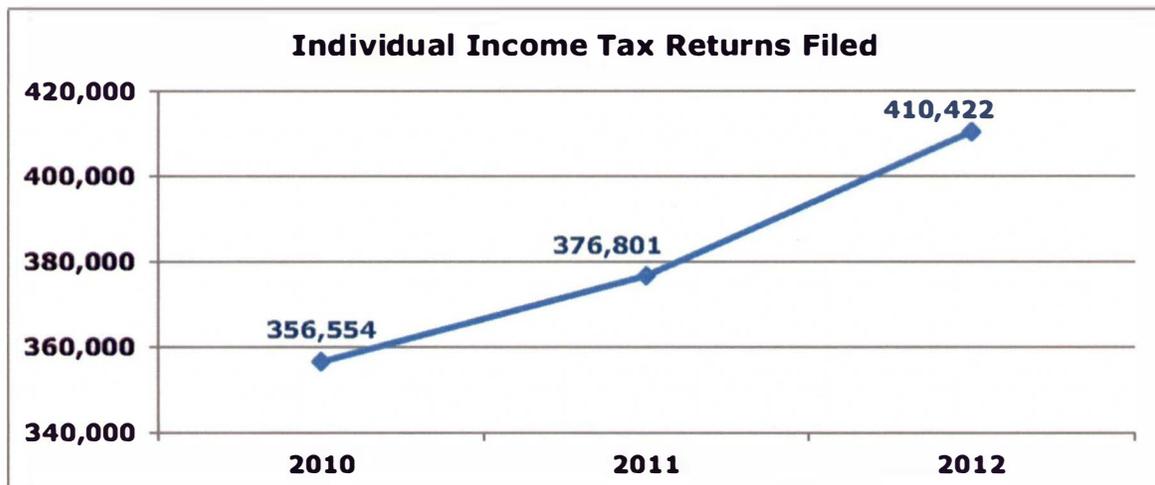
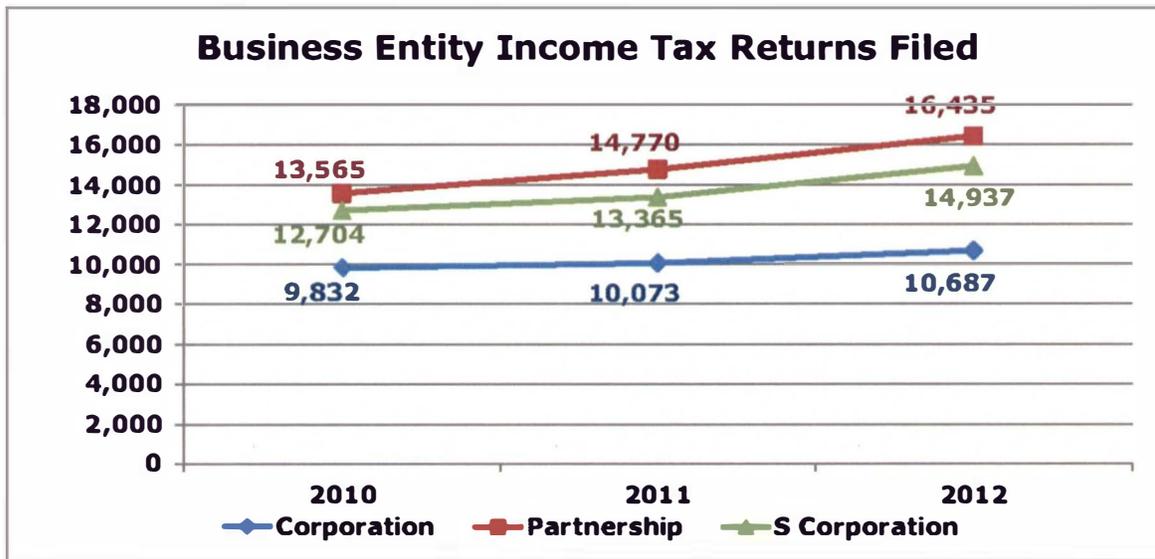
In order to improve the Department's efficiency and effectiveness of achieving our mission and purpose, the Tax Department is requesting that consideration be given to the following future critical issues and needs.

- The growing energy development in North Dakota has resulted in a significant workload increase across the tax types administered by the Office of State Tax Commissioner. In addition to increased oversight and compliance activities, during the 2011–13 biennium the Department also dedicated considerable time working with other state agencies on issues of common concern. Two such programs include the One Stop Shop to educate contractors and the dyed fuels enforcement activities. These programs required the Department to spend significant time working with other agencies – the IRS,

Highway Department, Secretary of State, Attorney General, and Department of Transportation – in order to fulfill our compliance goals. Continued coordination between our agency and others is particularly important to ensure the fair and effective administration of the tax laws of North Dakota.

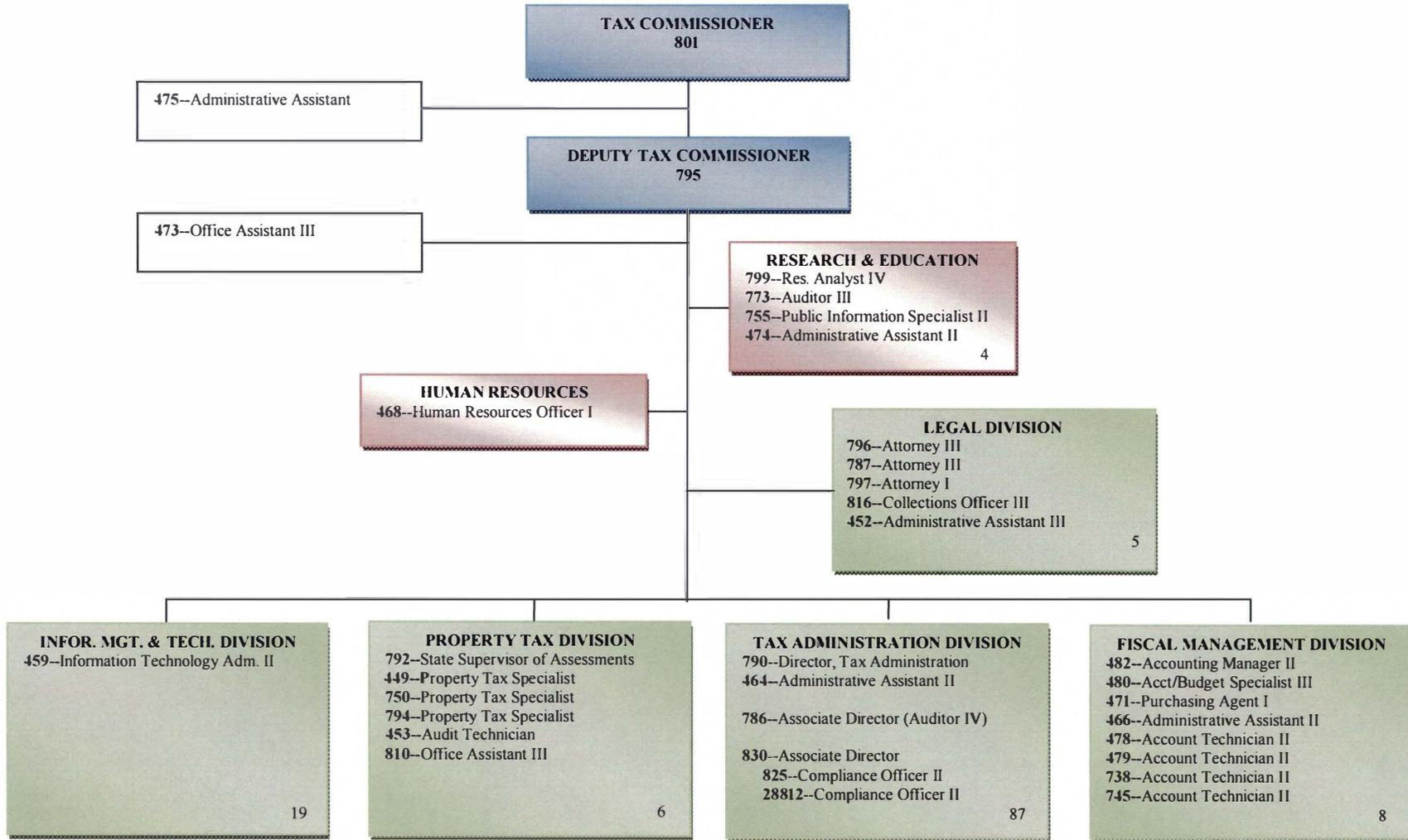
- As of May 2012, the Office of State Tax Commissioner has the highest average years of service (19.5 years) of all state agencies and it is estimating nearly 30 percent of current staff may qualify for retirement. While the high number of possible retirements and resulting financial impact is a concern (paying retiring employees for outstanding leave balances), of greater concern is the tremendous loss of tax expertise.
- In addition to the concern of future retirements, recruiting for vacant positions continues to be increasingly competitive. North Dakota's strong economy is creating opportunities for individuals seeking employment. This has resulted in a tightening labor pool as students and experienced workers are in high demand. Of particular concern is recruiting for vacant positions in the Dickinson, Minot, and Williston areas. With the surge in energy-related businesses operating in these areas and the employment opportunities that accompany this economic boom, it is becoming increasingly difficult to compete in the available labor pool to recruit for vacant positions.
- The budget request for \$3.2 million for the next biennium will allow the Department to contract with FAST Enterprises (FAST) for continued software maintenance, on-site support, service packs and upgrades. On-site FAST developers work with the Tax Department and Information Technology Department (ITD) staff to ensure GenTax is managed effectively and to increase the state's level of competence for ongoing operations and maintenance. The complexity and depth of GenTax will require ongoing support from FAST to maintain the GenTax product.
- Taxpayers are requesting more electronic options to file tax returns. The Department is requesting \$1 million for the next biennium to move its sales tax registration and WebFile to the GenTax Taxpayer Access Point (TAP) program. TAP is a self-service application that allows taxpayers to register their businesses, file and pay their taxes, and maintain their accounts online. The application will be available to those who file and/or pay sales tax, lodging tax, restaurant & lodging tax, and/or withholding taxes. The application will include the ability to submit applications, request permits and licenses, file returns, make payments, maintain account information, view correspondence, and communicate more easily and efficiently with the Department.
- Providing a safe and functional office environment is important for the Office of State Tax Commissioner's employees and customers. The Department continues to look for opportunities to change the way it does business, which may require different arrangement of the current space.
- The Tax Department relies on seasonal employees to assist with processing seasonal tax returns to include opening mail, data entry, error resolution, and processing of Canadian refunds. It is important that the Tax Department has the resources, specifically funding for seasonal employees, to continue to provide timely and accurate processing of returns while promoting compliance with the tax laws of North Dakota.

## Growth in New Accounts & Returns Filed

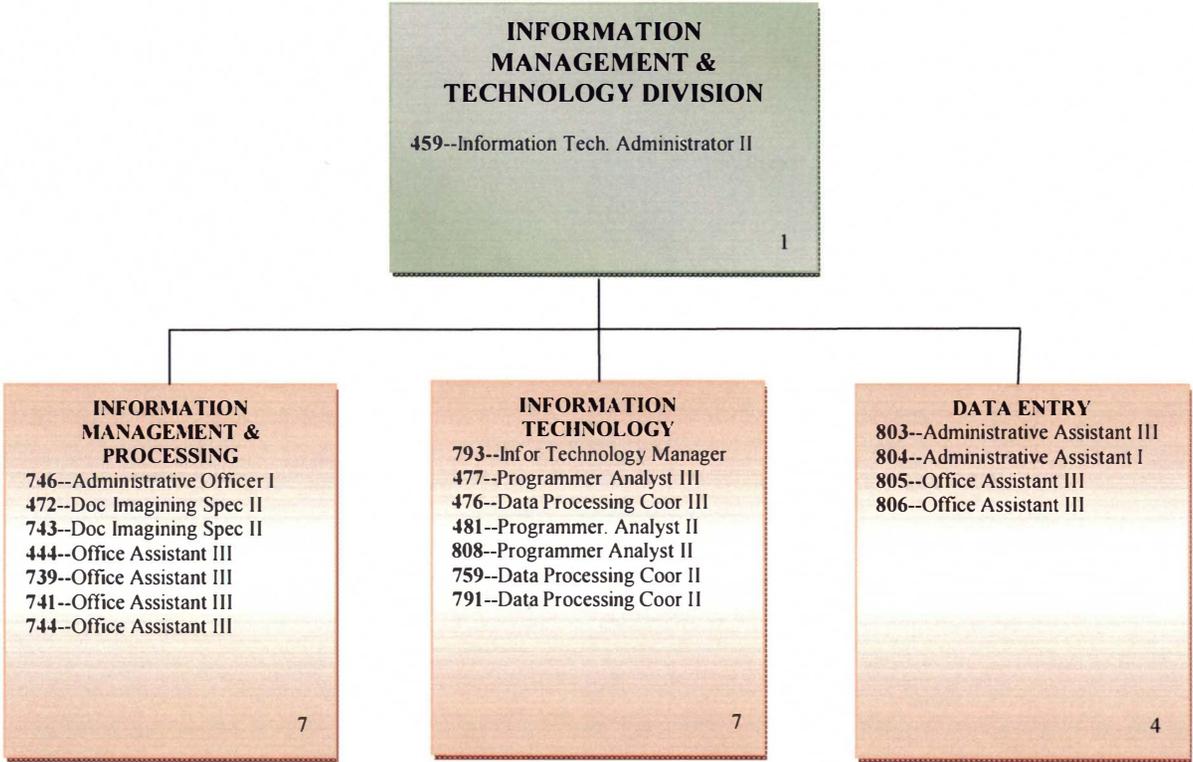


FDIWO  
January 31, 2013  
Attachment 1

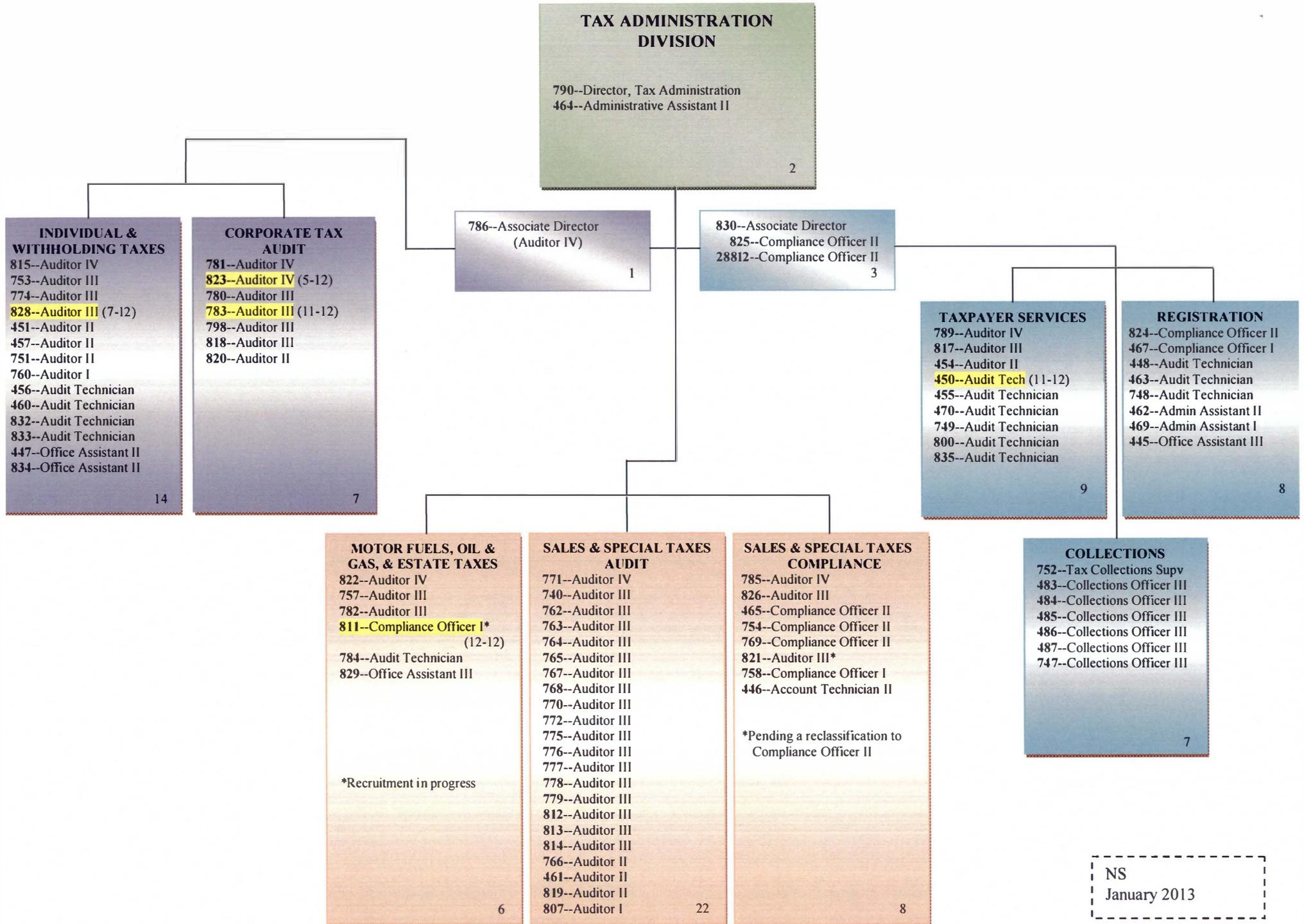
# OFFICE OF STATE TAX COMMISSIONER



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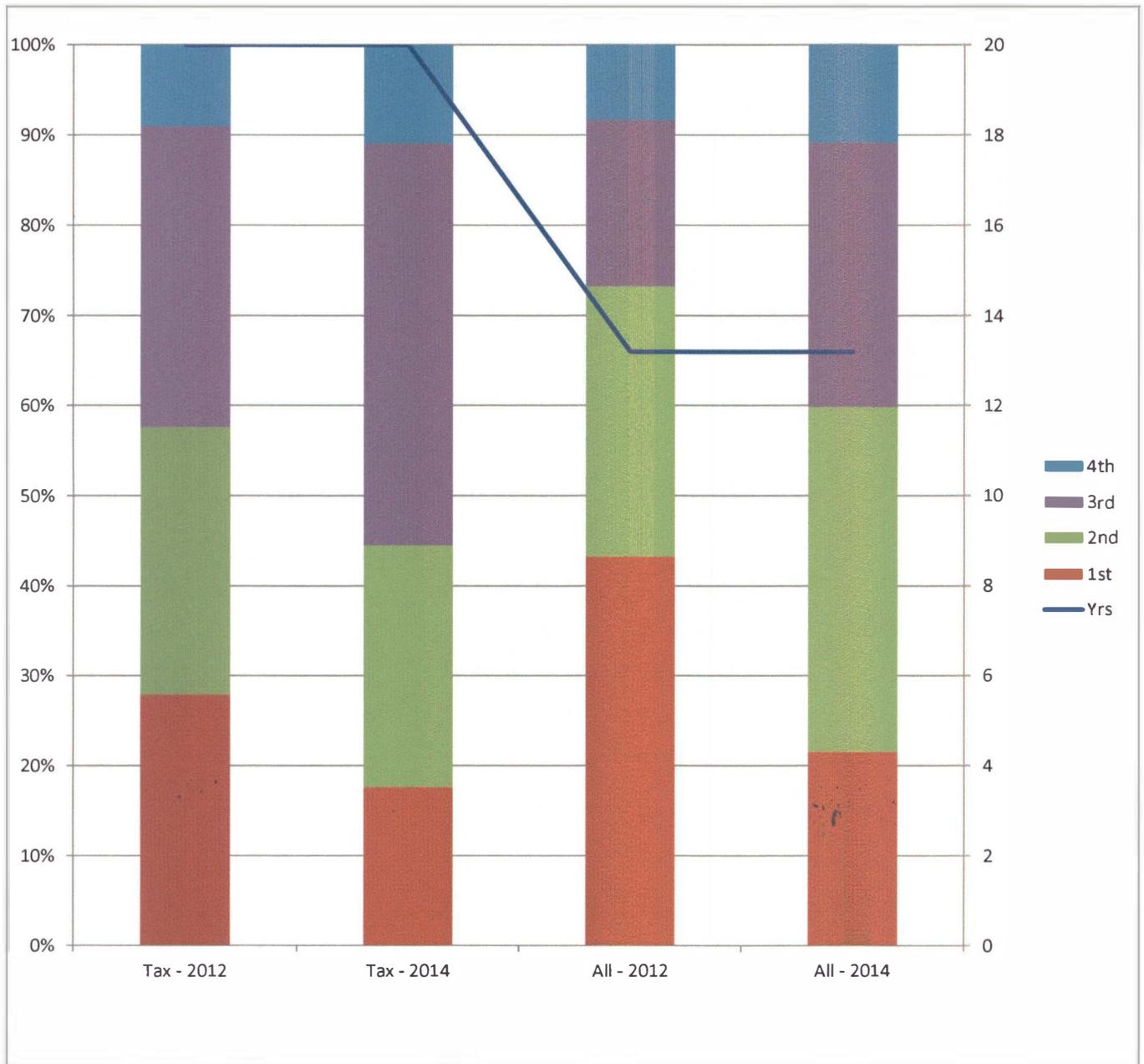
# OFFICE OF STATE TAX COMMISSIONER



NS  
January 2013

127 - Tax Comm - 2012-14 Quartile Charts

HB1006  
 January 31, 2013  
 Attachment 2



EXAMPLE

Relativity to Market Policy Position *								+ Meet Standards		+ Exceed Standards		Current C/R		Projected 2013 C/R		Projected 2014 C/R		EXAMPLE													
MPP + 2nd Qtl		0%		1 - 2.0%		2 - 4.0%		+		3.0%		5.0%		0.94		0.97		0.99		2013						2014					
CURRENT								Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2013				Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2014							
Yrs Svc	Job Title	FTE Ann Sal	Grade	Market Policy Point	FTE	C/R (Current)	2012 Qtl	%	\$	%	\$	%	\$	2013 New Salary	New MPP (3% range increment)	2013 New C/R	2013 Qtl	%	\$	%	\$	%	\$	2014 New Salary	New MPP (3% range increment)	2014 New C/R	2014 Qtl				
21.8	DOCUMENT IMAGING SPEC II	33,768	E	31,724	1.00	1.06	3	0.0%	-	3.0%	1,013	3.0%	1,013	34,781	32,676	1.06	3	0.0%	-	3.0%	1,043	3.0%	1,043	35,824	33,656	1.06	3				
25.7	DOCUMENT IMAGING SPEC II	33,636	E	31,724	1.00	1.06	3	0.0%	-	5.0%	1,682	5.0%	1,682	35,318	32,676	1.08	3	0.0%	-	5.0%	1,766	5.0%	1,766	37,084	33,656	1.10	3				
37.7	OFFICE ASSISTANT II	31,860	D	29,046	1.00	1.10	3	0.0%	-	3.0%	956	3.0%	956	32,816	29,917	1.10	3	0.0%	-	3.0%	984	3.0%	984	33,800	30,815	1.10	3				
35.6	OFFICE ASSISTANT III	34,788	E	31,724	1.00	1.10	3	0.0%	-	5.0%	1,739	5.0%	1,739	36,527	32,676	1.12	3	0.0%	-	5.0%	1,826	5.0%	1,826	38,353	33,656	1.14	4				
31.9	OFFICE ASSISTANT III	35,976	E	31,724	1.00	1.13	4	0.0%	-	3.0%	1,079	3.0%	1,079	37,055	32,676	1.13	4	0.0%	-	3.0%	1,112	3.0%	1,112	38,167	33,656	1.13	4				
13.5	OFFICE ASSISTANT III	32,460	E	31,724	1.00	1.02	3	0.0%	-	5.0%	1,623	5.0%	1,623	34,083	32,676	1.04	3	0.0%	-	5.0%	1,704	5.0%	1,704	35,787	33,656	1.06	3				
23.4	OFFICE ASSISTANT III	32,040	E	31,724	1.00	1.01	3	0.0%	-	3.0%	961	3.0%	961	33,001	32,676	1.01	3	0.0%	-	3.0%	990	3.0%	990	33,991	33,656	1.01	3				
20.8	OFFICE ASSISTANT III	34,260	E	31,724	1.00	1.08	3	0.0%	-	5.0%	1,713	5.0%	1,713	35,973	32,676	1.10	3	0.0%	-	5.0%	1,799	5.0%	1,799	37,772	33,656	1.12	3				
14.0	OFFICE ASSISTANT III	27,504	E	31,724	1.00	0.87	1	4.0%	1,100	3.0%	825	7.0%	1,925	29,429	32,676	0.90	2	2.0%	589	3.0%	883	5.0%	1,472	30,901	33,656	0.92	2				
15.8	OFFICE ASSISTANT III	27,372	E	31,724	1.00	0.86	1	4.0%	1,095	5.0%	1,369	9.0%	2,464	29,836	32,676	0.91	2	2.0%	597	5.0%	1,492	7.0%	2,089	31,925	33,656	0.95	2				
26.4	OFFICE ASSISTANT III	37,500	E	31,724	1.00	1.18	4	0.0%	-	3.0%	1,125	3.0%	1,125	38,625	32,676	1.18	4	0.0%	-	3.0%	1,159	3.0%	1,159	39,784	33,656	1.18	4				
5.0	OFFICE ASSISTANT III	25,284	E	31,724	1.00	0.80	1	4.0%	1,011	5.0%	1,264	9.0%	2,275	27,559	32,676	0.84	1	4.0%	1,102	5.0%	1,378	9.0%	2,480	30,039	33,656	0.89	2				
35.7	ADMIN ASSISTANT I	36,696	F	34,505	1.00	1.06	3	0.0%	-	3.0%	1,101	3.0%	1,101	37,797	35,540	1.06	3	0.0%	-	3.0%	1,134	3.0%	1,134	38,931	36,606	1.06	3				
7.1	ADMIN ASSISTANT I	27,744	F	34,505	1.00	0.80	1	4.0%	1,110	5.0%	1,387	9.0%	2,497	30,241	35,540	0.85	1	4.0%	1,210	5.0%	1,512	9.0%	2,722	32,963	36,606	0.90	2				
26.2	ADMIN ASSISTANT II	36,060	H	41,612	1.00	0.87	1	4.0%	1,442	3.0%	1,082	7.0%	2,524	38,584	42,860	0.90	2	2.0%	772	3.0%	1,158	5.0%	1,930	40,514	44,146	0.92	2				
25.9	ADMIN ASSISTANT II	37,968	H	41,612	1.00	0.91	2	2.0%	759	5.0%	1,898	7.0%	2,657	40,625	42,860	0.95	2	2.0%	813	5.0%	2,031	7.0%	2,844	43,469	44,146	0.98	2				
33.6	ADMIN ASSISTANT II	40,944	H	41,612	1.00	0.98	2	2.0%	819	3.0%	1,228	5.0%	2,047	42,991	42,860	1.00	3	0.0%	-	3.0%	1,290	3.0%	1,290	44,281	44,146	1.00	3				
29.4	ADMIN ASSISTANT II	40,808	H	41,612	1.00	0.96	2	2.0%	800	5.0%	2,000	7.0%	2,800	42,808	42,860	1.00	3	0.0%	-	5.0%	2,140	5.0%	2,140	44,948	44,146	1.02	3				
35.5	ADMIN ASSISTANT III	42,804	I	45,938	1.00	0.93	2	2.0%	856	3.0%	1,284	5.0%	2,140	44,944	47,316	0.95	2	2.0%	899	3.0%	1,348	5.0%	2,247	47,191	48,735	0.97	2				
39.4	ADMIN ASSISTANT III	46,896	I	45,938	1.00	1.02	3	0.0%	-	5.0%	2,345	5.0%	2,345	49,241	47,316	1.04	3	0.0%	-	5.0%	2,462	5.0%	2,462	51,703	48,735	1.06	3				
5.3	PROGRAMMER ANALYST II	57,240	K	55,414	1.00	1.03	3	0.0%	-	3.0%	1,717	3.0%	1,717	58,957	57,076	1.03	3	0.0%	-	3.0%	1,769	3.0%	1,769	60,726	58,788	1.03	3				
1.3	PROGRAMMER ANALYST II	57,708	K	55,414	1.00	1.04	3	0.0%	-	5.0%	2,885	5.0%	2,885	60,593	57,076	1.06	3	0.0%	-	5.0%	3,030	5.0%	3,030	63,623	58,788	1.08	3				
31.6	PROGRAMMER ANALYST III	76,668	M	66,332	1.00	1.16	4	0.0%	-	3.0%	2,300	3.0%	2,300	78,968	68,322	1.16	4	0.0%	-	3.0%	2,369	3.0%	2,369	81,337	70,372	1.16	4				
21.3	DATA PROC COORD II	46,908	I	45,938	1.00	1.02	3	0.0%	-	5.0%	2,345	5.0%	2,345	49,253	47,316	1.04	3	0.0%	-	5.0%	2,463	5.0%	2,463	51,716	48,735	1.06	3				
15.8	DATA PROC COORD II	56,124	I	45,938	1.00	1.22	4	0.0%	-	3.0%	1,684	3.0%	1,684	57,808	47,316	1.22	4	0.0%	-	3.0%	1,734	3.0%	1,734	59,542	48,735	1.22	4				
2.3	DATA PROC COORD III	50,616	K	55,414	1.00	0.91	2	2.0%	1,012	5.0%	2,531	7.0%	3,543	54,159	57,076	0.95	2	2.0%	1,083	5.0%	2,708	7.0%	3,791	57,950	58,788	0.99	2				
10.2	INFO TECHNOLOGY ADMIN II	73,284	N	73,130	1.00	1.00	3	0.0%	-	3.0%	2,199	3.0%	2,199	75,483	75,324	1.00	3	0.0%	-	3.0%	2,264	3.0%	2,264	77,747	77,584	1.00	3				
7.2	INFORMATION TECHNOLOGY MANAGER	64,548	N	73,130	1.00	0.88	2	2.0%	1,291	5.0%	3,227	7.0%	4,518	69,066	75,324	0.92	2	2.0%	1,381	5.0%	3,453	7.0%	4,834	73,900	77,584	0.95	2				
24.0	ACCOUNT TECHNICIAN II	38,760	G	37,801	1.00	1.03	3	0.0%	-	3.0%	1,163	3.0%	1,163	39,923	38,935	1.03	3	0.0%	-	3.0%	1,198	3.0%	1,198	41,121	40,103	1.03	3				
35.8	ACCOUNT TECHNICIAN II	40,608	G	37,801	1.00	1.07	3	0.0%	-	5.0%	2,030	5.0%	2,030	42,638	38,935	1.10	3	0.0%	-	5.0%	2,132	5.0%	2,132	44,770	40,103	1.12	3				
38.3	ACCOUNT TECHNICIAN II	43,776	G	37,801	1.00	1.16	4	0.0%	-	3.0%	1,313	3.0%	1,313	45,089	38,935	1.16	4	0.0%	-	3.0%	1,353	3.0%	1,353	46,442	40,103	1.16	4				
38.1	ACCOUNT TECHNICIAN II	42,096	G	37,801	1.00	1.11	3	0.0%	-	5.0%	2,105	5.0%	2,105	44,201	38,935	1.14	4	0.0%	-	5.0%	2,210	5.0%	2,210	46,411	40,103	1.16	4				
32.0	ACCOUNT TECHNICIAN II	38,844	G	37,801	1.00	1.03	3	0.0%	-	3.0%	1,165	3.0%	1,165	40,009	38,935	1.03	3	0.0%	-	3.0%	1,200	3.0%	1,200	41,209	40,103	1.03	3				
18.3	ACCOUNT/BUDGET SPEC III	62,400	L	60,564	1.00	1.03	3	0.0%	-	5.0%	3,120	5.0%	3,120	65,520	62,381	1.05	3	0.0%	-	5.0%	3,276	5.0%	3,276	68,796	64,252	1.07	3				
35.2	ACCOUNTING MANAGER II	94,380	P	85,799	1.00	1.10	3	0.0%	-	3.0%	2,831	3.0%	2,831	97,211	88,373	1.10	3	0.0%	-	3.0%	2,916	3.0%	2,916	100,127	91,024	1.10	3				
0.2	AUDIT TECHNICIAN	28,956	G	37,801	1.00	0.77	1	4.0%	1,158	5.0%	1,448	9.0%	2,606	31,562	38,935	0.81	1	4.0%	1,262	5.0%	1,578	9.0%	2,840	34,402	40,103	0.86	1				
27.8	AUDIT TECHNICIAN	40,680	G	37,801	1.00	1.08	3	0.0%	-	3.0%	1,220	3.0%	1,220	41,900	38,935	1.08	3	0.0%	-	3.0%	1,257	3.0%	1,257	43,157	40,103	1.08	3				
28.3	AUDIT TECHNICIAN	39,564	G	37,801	1.00	1.05	3	0.0%	-	5.0%	1,978	5.0%	1,978	41,542	38,935	1.07	3	0.0%	-	5.0%	2,077	5.0%	2,077	43,619	40,103	1.09	3				
2.6	AUDIT TECHNICIAN	30,576	G	37,801	1.00	0.81	1	4.0%	1,223	3.0%	917	7.0%	2,140	32,716	38,935	0.84	1	4.0%	1,309	3.0%	981	7.0%	2,290	35,006	40,103	0.87	1				

*ALL increases contingent upon Performance Meeting Standards								2013										2014									
		CURRENT						Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2013				Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2014			
Yrs Svc	Job Title	FTE Ann Sal	Grade	Market Policy Point	FTE	C/R (Current)	2012 Qtl	%	\$\$	%	\$\$	%	\$\$	2013 New Salary	New MPP (3% range increment)	2013 New C/R	2013 Qtl	%	\$\$	%	\$\$	%	\$\$	2014 New Salary	New MPP (3% range increment)	2014 New C/R	2014 Qtl
18.3	AUDIT TECHNICIAN	37,740	G	37,801	1.00	1.00	3	0.0%	-	5.0%	1,887	5.0%	1,887	39,627	38,935	1.02	3	0.0%	-	5.0%	1,981	5.0%	1,981	41,608	40,103	1.04	3
4.6	AUDIT TECHNICIAN	31,848	G	37,801	1.00	0.84	1	4.0%	1,274	3.0%	955	7.0%	2,229	34,077	38,935	0.88	2	2.0%	682	3.0%	1,022	5.0%	1,704	35,781	40,103	0.89	2
26.7	AUDIT TECHNICIAN	37,680	G	37,801	1.00	1.00	3	0.0%	-	5.0%	1,884	5.0%	1,884	39,564	38,935	1.02	3	0.0%	-	5.0%	1,978	5.0%	1,978	41,542	40,103	1.04	3
0.2	AUDIT TECHNICIAN	28,356	G	37,801	1.00	0.75	1	4.0%	1,134	3.0%	851	7.0%	1,985	30,341	38,935	0.78	1	4.0%	1,214	3.0%	910	7.0%	2,124	32,465	40,103	0.81	1
14.3	AUDIT TECHNICIAN	33,576	G	37,801	1.00	0.89	2	2.0%	672	5.0%	1,679	7.0%	2,351	35,927	38,935	0.92	2	2.0%	719	5.0%	1,796	7.0%	2,515	38,442	40,103	0.96	2
4.8	AUDIT TECHNICIAN	32,868	G	37,801	1.00	0.87	1	4.0%	1,315	3.0%	986	7.0%	2,301	35,169	38,935	0.90	2	2.0%	703	3.0%	1,055	5.0%	1,758	36,927	40,103	0.92	2
4.0	AUDIT TECHNICIAN	30,864	G	37,801	1.00	0.82	1	4.0%	1,235	5.0%	1,543	9.0%	2,778	33,642	38,935	0.86	1	4.0%	1,346	5.0%	1,682	9.0%	3,028	36,670	40,103	0.91	2
4.5	AUDIT TECHNICIAN	32,844	G	37,801	1.00	0.87	1	4.0%	1,314	3.0%	985	7.0%	2,299	35,143	38,935	0.90	2	2.0%	703	3.0%	1,054	5.0%	1,757	36,900	40,103	0.92	2
37.4	AUDIT TECHNICIAN	41,280	G	37,801	1.00	1.09	3	0.0%	-	5.0%	2,064	5.0%	2,064	43,344	38,935	1.11	3	0.0%	-	5.0%	2,167	5.0%	2,167	45,511	40,103	1.13	4
29.3	AUDIT TECHNICIAN	40,116	G	37,801	1.00	1.06	3	0.0%	-	3.0%	1,203	3.0%	1,203	41,319	38,935	1.06	3	0.0%	-	3.0%	1,240	3.0%	1,240	42,559	40,103	1.06	3
2.1	AUDITOR I	42,384	J	50,985	1.00	0.83	1	4.0%	1,695	5.0%	2,119	9.0%	3,814	46,198	52,515	0.88	2	2.0%	924	5.0%	2,310	7.0%	3,234	49,432	54,090	0.91	2
35.4	AUDITOR I	51,072	J	50,985	1.00	1.00	3	0.0%	-	3.0%	1,532	3.0%	1,532	52,604	52,515	1.00	3	0.0%	-	3.0%	1,578	3.0%	1,578	54,182	54,090	1.00	3
0.2	AUDITOR I	38,244	J	50,985	1.00	0.75	1	4.0%	1,530	5.0%	1,912	9.0%	3,442	41,686	52,515	0.79	1	4.0%	1,667	5.0%	2,084	9.0%	3,751	45,437	54,090	0.84	1
4.2	AUDITOR II	42,168	K	55,414	1.00	0.76	1	4.0%	1,687	3.0%	1,265	7.0%	2,952	45,120	57,076	0.79	1	4.0%	1,805	3.0%	1,354	7.0%	3,159	48,279	58,788	0.82	1
-	AUDITOR II	38,244	K	55,414	1.00	0.69	1	4.0%	1,530	5.0%	1,912	9.0%	3,442	41,686	57,076	0.73	1	4.0%	1,667	5.0%	2,084	9.0%	3,751	45,437	58,788	0.77	1
0.7	AUDITOR II	40,788	K	55,414	1.00	0.74	1	4.0%	1,632	3.0%	1,224	7.0%	2,856	43,644	57,076	0.76	1	4.0%	1,746	3.0%	1,309	7.0%	3,055	46,699	58,788	0.79	1
3.3	AUDITOR II	42,168	K	55,414	1.00	0.76	1	4.0%	1,687	5.0%	2,108	9.0%	3,795	45,963	57,076	0.81	1	4.0%	1,839	5.0%	2,298	9.0%	4,137	50,100	58,788	0.85	1
0.7	AUDITOR II	40,788	K	55,414	1.00	0.74	1	4.0%	1,632	3.0%	1,224	7.0%	2,856	43,644	57,076	0.76	1	4.0%	1,746	3.0%	1,309	7.0%	3,055	46,699	58,788	0.79	1
32.0	AUDITOR II	62,028	K	55,414	1.00	1.12	3	0.0%	-	5.0%	3,101	5.0%	3,101	65,129	57,076	1.14	4	0.0%	-	5.0%	3,256	5.0%	3,256	68,385	58,788	1.16	4
14.1	AUDITOR III	53,424	L	60,564	1.00	0.88	2	2.0%	1,068	3.0%	1,603	5.0%	2,671	56,095	62,381	0.90	2	2.0%	1,122	3.0%	1,683	5.0%	2,805	58,900	64,252	0.92	2
23.1	AUDITOR III	59,244	L	60,564	1.00	0.98	2	2.0%	1,185	5.0%	2,962	7.0%	4,147	63,391	62,381	1.02	3	0.0%	-	5.0%	3,170	5.0%	3,170	66,561	64,252	1.04	3
24.3	AUDITOR III	59,064	L	60,564	1.00	0.98	2	2.0%	1,181	3.0%	1,772	5.0%	2,953	62,017	62,381	0.99	2	2.0%	1,240	3.0%	1,861	5.0%	3,101	65,118	64,252	1.01	3
0.2	AUDITOR III	38,244	L	60,564	1.00	0.63	1	4.0%	1,530	5.0%	1,912	9.0%	3,442	41,686	62,381	0.67	1	4.0%	1,667	5.0%	2,084	9.0%	3,751	45,437	64,252	0.71	1
33.2	AUDITOR III	63,072	L	60,564	1.00	1.04	3	0.0%	-	3.0%	1,892	3.0%	1,892	64,964	62,381	1.04	3	0.0%	-	3.0%	1,949	3.0%	1,949	66,913	64,252	1.04	3
25.2	AUDITOR III	59,364	L	60,564	1.00	0.98	2	2.0%	1,187	5.0%	2,968	7.0%	4,155	63,519	62,381	1.02	3	0.0%	-	5.0%	3,176	5.0%	3,176	66,895	64,252	1.04	3
17.8	AUDITOR III	56,772	L	60,564	1.00	0.94	2	2.0%	1,135	3.0%	1,703	5.0%	2,838	59,610	62,381	0.96	2	2.0%	1,192	3.0%	1,788	5.0%	2,980	62,590	64,252	0.97	2
14.1	AUDITOR III	55,248	L	60,564	1.00	0.91	2	2.0%	1,105	5.0%	2,762	7.0%	3,867	59,115	62,381	0.95	2	2.0%	1,182	5.0%	2,956	7.0%	4,138	63,253	64,252	0.98	2
11.9	AUDITOR III	53,736	L	60,564	1.00	0.89	2	2.0%	1,075	3.0%	1,612	5.0%	2,687	56,423	62,381	0.90	2	2.0%	1,128	3.0%	1,693	5.0%	2,821	59,244	64,252	0.92	2
20.9	AUDITOR III	58,632	L	60,564	1.00	0.97	2	2.0%	1,173	5.0%	2,932	7.0%	4,105	62,737	62,381	1.01	3	0.0%	-	5.0%	3,137	5.0%	3,137	65,874	64,252	1.03	3
31.4	AUDITOR III	68,532	L	60,564	1.00	1.13	4	0.0%	-	3.0%	2,056	3.0%	2,056	70,588	62,381	1.13	4	0.0%	-	3.0%	2,118	3.0%	2,118	72,706	64,252	1.13	4
22.0	AUDITOR III	57,924	L	60,564	1.00	0.96	2	2.0%	1,158	5.0%	2,896	7.0%	4,054	61,978	62,381	0.99	2	2.0%	1,240	5.0%	3,099	7.0%	4,339	66,317	64,252	1.03	3
23.1	AUDITOR III	61,560	L	60,564	1.00	1.02	3	0.0%	-	3.0%	1,847	3.0%	1,847	63,407	62,381	1.02	3	0.0%	-	3.0%	1,902	3.0%	1,902	65,309	64,252	1.02	3
7.3	AUDITOR III	48,888	L	60,564	1.00	0.81	1	4.0%	1,956	5.0%	2,444	9.0%	4,400	53,288	62,381	0.85	1	4.0%	2,132	5.0%	2,664	9.0%	4,796	58,084	64,252	0.90	2
20.2	AUDITOR III	57,348	L	60,564	1.00	0.95	2	2.0%	1,147	3.0%	1,720	5.0%	2,867	60,215	62,381	0.97	2	2.0%	1,204	3.0%	1,806	5.0%	3,010	63,225	64,252	0.98	2
13.8	AUDITOR III	51,816	L	60,564	1.00	0.86	1	4.0%	2,073	5.0%	2,591	9.0%	4,664	56,480	62,381	0.91	2	2.0%	1,130	5.0%	2,824	7.0%	3,954	60,434	64,252	0.94	2
7.8	AUDITOR III	47,844	L	60,564	1.00	0.79	1	4.0%	1,914	3.0%	1,435	7.0%	3,349	51,193	62,381	0.82	1	4.0%	2,048	3.0%	1,536	7.0%	3,584	54,777	64,252	0.85	1
7.0	AUDITOR III	38,244	L	60,564	1.00	0.63	1	4.0%	1,530	5.0%	1,912	9.0%	3,442	41,686	62,381	0.67	1	4.0%	1,667	5.0%	2,084	9.0%	3,751	45,437	64,252	0.71	1
17.8	AUDITOR III	57,360	L	60,564	1.00	0.95	2	2.0%	1,147	3.0%	1,721	5.0%	2,868	60,228	62,381	0.97	2	2.0%	1,205	3.0%	1,807	5.0%	3,012	63,240	64,252	0.98	2
26.0	AUDITOR III	60,996	L	60,564	1.00	1.01	3	0.0%	-	5.0%	3,050	5.0%	3,050	64,046	62,381	1.03	3	0.0%	-	5.0%	3,202	5.0%	3,202	67,248	64,252	1.05	3
6.3	AUDITOR III	46,548	L	60,564	1.00	0.77	1	4.0%	1,862	3.0%	1,396	7.0%	3,258	49,806	62,381	0.80	1	4.0%	1,992	3.0%	1,494	7.0%	3,486	53,292	64,252	0.83	1
0.2	AUDITOR III	38,244	L	60,564	1.00	0.63	1	4.0%	1,530	5.0%	1,912	9.0%	3,442	41,686	62,381	0.67	1	4.0%	1,667	5.0%	2,084	9.0%	3,751	45,437	64,252	0.71	1
21.8	AUDITOR III	58,068	L	60,564	1.00	0.96	2	2.0%	1,161	3.0%	1,742	5.0%	2,903	60,971	62,381	0.98	2	2.0%	1,219	3.0%	1,829	5.0%	3,048	64,019	64,252	1.00	3
33.8	AUDITOR III	66,312	L	60,564	1.00	1.09	3	0.0%	-	5.0%	3,316	5.0%	3,316	69,628	62,381	1.12	3	0.0%	-	5.0%	3,481	5.0%	3,481	73,109	64,252	1.14	4
3.8	AUDITOR III	46,320	L	60,564	1.00	0.76	1	4.0%	1,853	3.0%	1,390	7.0%	3,243	49,563	62,381	0.79	1	4.0%	1,983	3.0%	1,487	7.0%	3,470	53,033	64,252	0.83	1
12.9	AUDITOR III	50,376	L	60,564	1.00	0.83	1	4.0%	2,015	5.0%	2,519	9.0%	4,534	54,910	62,381	0.88	2	2.0%	1,098	5.0%	2,746	7.0%	3,844	58,754	64,252	0.91	2

* ALL increases contingent upon Performance Meeting Standards								2013										2014									
		CURRENT						Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2013				Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2014			
Yrs Svc	Job Title	FTE Ann Sal	Grade	Market Policy Point	FTE	C/R (Current)	2012 QII	%	\$	%	\$	%	\$	2013 New Salary	New MPP (3% range increment)	2013 New C/R	2013 QII	%	\$	%	\$	%	\$	2014 New Salary	New MPP (3% range increment)	2014 New C/R	2014 QII
34.4	AUDITOR IV	82,380	N	73,130	1.00	1.13	4	0.0%	-	3.0%	2,471	3.0%	2,471	84,851	75,324	1.13	4	0.0%	-	3.0%	2,546	3.0%	2,546	87,397	77,584	1.13	4
31.1	AUDITOR IV	77,604	N	73,130	1.00	1.06	3	0.0%	-	5.0%	3,880	5.0%	3,880	81,484	75,324	1.08	3	0.0%	-	5.0%	4,074	5.0%	4,074	85,558	77,584	1.10	3
36.3	AUDITOR IV	78,108	N	73,130	1.00	1.07	3	0.0%	-	3.0%	2,343	3.0%	2,343	80,451	75,324	1.07	3	0.0%	-	3.0%	2,414	3.0%	2,414	82,865	77,584	1.07	3
20.2	AUDITOR IV	70,080	N	73,130	1.00	0.96	2	2.0%	1,402	5.0%	3,504	7.0%	4,906	74,986	75,324	1.00	3	0.0%	-	5.0%	3,749	5.0%	3,749	78,735	77,584	1.01	3
2.0	AUDITOR IV	57,600	N	73,130	1.00	0.79	1	4.0%	2,304	3.0%	1,728	7.0%	4,032	61,632	75,324	0.82	1	4.0%	2,465	3.0%	1,849	7.0%	4,314	65,946	77,584	0.85	1
16.6	AUDITOR IV	83,700	N	73,130	1.00	1.14	4	0.0%	-	5.0%	4,185	5.0%	4,185	87,885	75,324	1.17	4	0.0%	-	5.0%	4,394	5.0%	4,394	92,279	77,584	1.19	4
21.6	COLLECTIONS OFFICER III	49,008	J	50,985	1.00	0.96	2	2.0%	980	3.0%	1,470	5.0%	2,450	51,458	52,515	0.98	2	2.0%	1,029	3.0%	1,544	5.0%	2,573	54,031	54,090	1.00	3
35.1	COLLECTIONS OFFICER III	56,496	J	50,985	1.00	1.11	3	0.0%	-	5.0%	2,825	5.0%	2,825	59,321	52,515	1.13	4	0.0%	-	5.0%	2,966	5.0%	2,966	62,287	54,090	1.15	4
13.8	COLLECTIONS OFFICER III	42,480	J	50,985	1.00	0.83	1	4.0%	1,699	3.0%	1,274	7.0%	2,973	45,453	52,515	0.87	1	4.0%	1,818	3.0%	1,364	7.0%	3,182	48,635	54,090	0.90	2
34.2	COLLECTIONS OFFICER III	53,496	J	50,985	1.00	1.05	3	0.0%	-	5.0%	2,675	5.0%	2,675	56,171	52,515	1.07	3	0.0%	-	5.0%	2,809	5.0%	2,809	58,980	54,090	1.09	3
16.8	COLLECTIONS OFFICER III	48,612	J	50,985	1.00	0.95	2	2.0%	972	3.0%	1,458	5.0%	2,430	51,042	52,515	0.97	2	2.0%	1,021	3.0%	1,531	5.0%	2,552	53,594	54,090	0.99	2
8.1	COLLECTIONS OFFICER III	41,100	J	50,985	1.00	0.81	1	4.0%	1,644	5.0%	2,055	9.0%	3,699	44,799	52,515	0.85	1	4.0%	1,792	5.0%	2,240	9.0%	4,032	48,831	54,090	0.90	2
21.4	COLLECTIONS OFFICER III	42,120	J	50,985	1.00	0.83	1	4.0%	1,685	3.0%	1,264	7.0%	2,949	45,069	52,515	0.86	1	4.0%	1,803	3.0%	1,352	7.0%	3,155	48,224	54,090	0.89	2
21.4	TAX COLLECTIONS SUPV	66,360	M	66,332	1.00	1.00	3	0.0%	-	5.0%	3,318	5.0%	3,318	69,678	68,322	1.02	3	0.0%	-	5.0%	3,484	5.0%	3,484	73,162	70,372	1.04	3
2.7	COMPLIANCE OFFICER I	40,296	J	50,985	1.00	0.79	1	4.0%	1,612	3.0%	1,209	7.0%	2,821	43,117	52,515	0.82	1	4.0%	1,725	3.0%	1,294	7.0%	3,019	46,136	54,090	0.85	1
37.0	COMPLIANCE OFFICER I	54,516	J	50,985	1.00	1.07	3	0.0%	-	5.0%	2,726	5.0%	2,726	57,242	52,515	1.09	3	0.0%	-	5.0%	2,862	5.0%	2,862	60,104	54,090	1.11	3
1.8	COMPLIANCE OFFICER I	42,012	J	50,985	1.00	0.82	1	4.0%	1,680	3.0%	1,260	7.0%	2,940	44,952	52,515	0.86	1	4.0%	1,798	3.0%	1,349	7.0%	3,147	48,099	54,090	0.89	2
35.4	COMPLIANCE OFFICER II	58,668	L	60,564	1.00	0.97	2	2.0%	1,173	5.0%	2,933	7.0%	4,106	62,774	62,381	1.01	3	0.0%	-	5.0%	3,139	5.0%	3,139	65,913	64,252	1.03	3
7.3	COMPLIANCE OFFICER II	49,608	L	60,564	1.00	0.82	1	4.0%	1,984	3.0%	1,488	7.0%	3,472	53,080	62,381	0.85	1	4.0%	2,123	3.0%	1,592	7.0%	3,715	56,795	64,252	0.88	2
1.0	COMPLIANCE OFFICER II	41,436	L	60,564	1.00	0.68	1	4.0%	1,657	5.0%	2,072	9.0%	3,729	45,165	62,381	0.72	1	4.0%	1,807	5.0%	2,258	9.0%	4,065	49,230	64,252	0.77	1
5.3	COMPLIANCE OFFICER II	46,704	L	60,564	1.00	0.77	1	4.0%	1,868	3.0%	1,401	7.0%	3,269	49,973	62,381	0.80	1	4.0%	1,999	3.0%	1,499	7.0%	3,498	53,471	64,252	0.83	1
4.2	COMPLIANCE OFFICER II	46,704	L	60,564	1.00	0.77	1	4.0%	1,868	5.0%	2,335	9.0%	4,203	50,907	62,381	0.82	1	4.0%	2,036	5.0%	2,545	9.0%	4,581	55,488	64,252	0.86	1
8.8	ASSOCIATE DIR TAX ADMIN DIV	68,772	O	80,855	1.00	0.85	1	4.0%	2,751	3.0%	2,063	7.0%	4,814	73,586	83,281	0.88	2	2.0%	1,472	3.0%	2,208	5.0%	3,680	77,266	85,779	0.90	2
27.1	INCOME SALES & SPEC TAXES DIR	97,056	S	105,678	1.00	0.92	2	2.0%	1,941	5.0%	4,853	7.0%	6,794	103,850	108,848	0.95	2	2.0%	2,077	5.0%	5,193	7.0%	7,270	111,120	112,113	0.99	2
2.3	PROPERTY TAX SPECIALIST	44,016	K	55,414	1.00	0.79	1	4.0%	1,761	3.0%	1,320	7.0%	3,081	47,097	57,076	0.83	1	4.0%	1,884	3.0%	1,413	7.0%	3,297	50,394	58,788	0.86	1
33.1	PROPERTY TAX SPECIALIST	54,348	K	55,414	1.00	0.98	2	2.0%	1,087	5.0%	2,717	7.0%	3,804	58,152	57,076	1.02	3	0.0%	-	5.0%	2,908	5.0%	2,908	61,060	58,788	1.04	3
10.6	PROPERTY TAX SPECIALIST	54,360	K	55,414	1.00	0.98	2	2.0%	1,087	3.0%	1,631	5.0%	2,718	57,078	57,076	1.00	3	0.0%	-	3.0%	1,712	3.0%	1,712	58,790	58,788	1.00	3
17.2	PURCHASING AGENT I	44,616	K	55,414	1.00	0.81	1	4.0%	1,785	5.0%	2,231	9.0%	4,016	48,632	57,076	0.85	1	4.0%	1,945	5.0%	2,432	9.0%	4,377	53,009	58,788	0.90	2
3.2	PARALEGAL	58,380	K	55,414	1.00	1.05	3	0.0%	-	3.0%	1,751	3.0%	1,751	60,131	57,076	1.05	3	0.0%	-	3.0%	1,804	3.0%	1,804	61,935	58,788	1.05	3
16.1	ATTORNEY III	83,568	Q	91,567	1.00	0.91	2	2.0%	1,671	5.0%	4,178	7.0%	5,849	89,417	94,314	0.95	2	2.0%	1,788	5.0%	4,471	7.0%	6,259	95,676	97,143	0.98	2
21.4	ATTORNEY III	94,812	Q	91,567	1.00	1.04	3	0.0%	-	3.0%	2,844	3.0%	2,844	97,656	94,314	1.04	3	0.0%	-	3.0%	2,930	3.0%	2,930	100,586	97,143	1.04	3
38.3	HUMAN RESOURCE OFFICER I	62,400	K	55,414	1.00	1.13	4	0.0%	-	5.0%	3,120	5.0%	3,120	65,520	57,076	1.15	4	0.0%	-	5.0%	3,276	5.0%	3,276	68,796	58,788	1.17	4
29.1	PUBLIC INFO SPEC II	55,044	K	55,414	1.00	0.99	2	2.0%	1,101	3.0%	1,651	5.0%	2,752	57,796	57,076	1.01	3	0.0%	-	3.0%	1,734	3.0%	1,734	59,530	58,788	1.01	3
32.0	RESEARCH ANALYST IV	84,696	N	73,130	1.00	1.16	4	0.0%	-	5.0%	4,235	5.0%	4,235	88,931	75,324	1.18	4	0.0%	-	5.0%	4,447	5.0%	4,447	93,378	77,584	1.20	4
12.1	ADMIN OFR I	35,220	I	45,938	1.00	0.77	1	4.0%	1,409	3.0%	1,057	7.0%	2,466	37,686	47,316	0.80	1	4.0%	1,507	3.0%	1,131	7.0%	2,638	40,324	48,735	0.83	1
18.5		5,903,916				0.94		1.9%	99,119	4.0%	235,876	5.9%	334,995			0.97		1.5%	85,983	4.0%	249,819	5.5%	335,802			0.99	



HB 1006  
February 11, 2013  
Attachment 1

OFFICE OF STATE TAX COMMISSIONER  
STATE OF NORTH DAKOTA

Cory Fong  
TAX COMMISSIONER

February 6, 2013

The Honorable Michael Brandenburg  
Vice Chairman, Government Operations Division  
House Appropriations Committee  
North Dakota House of Representatives  
600 East Boulevard Avenue  
Bismarck, ND 58505

Dear Representative Brandenburg: *Mike*

During the Office of State Tax Commissioner's budget hearing on Thursday, January 31, 2013, you requested information regarding the seven Executive budget highlights for the Department's House Appropriation Bill 1006. Enclosed is the information you requested along with additional copies for distribution to the other House Government Operations Committee members.

If we can be of further assistance, please do not hesitate to contact me.

Sincerely,



Cory Fong  
Tax Commissioner

Enclosures



**STATE OF NORTH DAKOTA**  
**OFFICE OF STATE TAX COMMISSIONER**

Cory Fong, Commissioner

**Executive Budget Highlights**

**House Bill No. 1006**

**February 5, 2013**

GREEN SHEET #	DESCRIPTION	GENERAL FUND	OTHER FUNDS	TOTAL	ADDITIONAL EXPLANATION
1	Provides additional funding for the current homestead tax credit program to provide a total of \$10,685,000 for the current program.	1,892,212		1,892,212	The amount requested reflects the projected increase in funding necessary to fully fund the Homestead Tax Credit program at the current income limit for eligibility. The Department is projecting an increase of 10% to 15% per year in the 2013-15 biennium.
2	Provides funding to expand the homestead tax credit program	20,000,000		20,000,000	The Governor's Recommended budget included additional funding to cover an expansion of the Homestead Tax Credit program through elimination of the asset test, excluding Social Security from the calculation of income, and expanding the income threshold to \$50,000 per household. (See Senate Bill No. 2171)
3	Provides additional funding for the disabled veterans credit program to provide a total of \$7,178,000	2,934,080		2,934,080	The amount requested reflects the projected increase in funding necessary to fully fund the Disabled Veterans Credit program. The Department is projecting an increase of about 15% each year in the 2013-15 biennium.
4	Provides funding to continue the bundled contract for support, maintenance, and upgrades for the GenTax system	1,000,000		1,000,000	The Department contracts the maintenance, version upgrades and on-site support for the GenTax integrated tax system as a bundled service package saving approximately \$160,000 each biennium. In order to continue to take advantage of the bundled contract the \$1,000,000 is being added to the Department's base budget request. For more detailed information see Exhibit A.
5	Adds one-time funding for implementing the taxpayer access point (TAP) module for the GenTax system	1,000,000		1,000,000	The Department is proposing the expanded use of Taxpayer Access Point (TAP), a module of GenTax already purchased. This system will be a replacement to our existing stand-alone sales and withholding WebFile systems and will also integrate city lodging tax, city lodging & restaurant tax, and registration functions for these four taxes. The application will include the ability to submit applications, request permits and licenses, file returns, make payments, maintain account information, view correspondence, and communicate more easily with the Department. For more detailed information see Exhibit A.

GREEN SHEET #	DESCRIPTION	GENERAL FUND	OTHER FUNDS	TOTAL	ADDITIONAL EXPLANATION
6	Provides additional federal funds for motor fuel tax enforcement activities		115,000	115,000	The Department is expecting to receive \$115,000 in additional federal funds for the Motor Fuel Tax Enforcement Program. The Department will use the additional funds to expand efforts to enhance motor fuel tax enforcement through training, purchasing needed testing equipment including a specially-equipped vehicle. In addition, it will be used to supplement motor fuel tax examinations and criminal investigations; evaluate and implement registration and reporting requirements for motor fuel taxpayers; analyze and implement programs to reduce tax evasion associated with other highway use taxes; address issues related to Indian tribes and State motor fuel taxes; and analyze and implement programs to reduce tax evasion associated with foreign imported fuel.
7	Provides funding for state employee salary increases of which \$974,958 relates to performance increases and \$375,994 is for market equity adjustments.	1,350,952		1,350,952	The Tax Department is unique in that it has the highest average years of service to the State with nearly 30% of its staff potentially qualifying for retirement. This results in a higher percentage of employees being in the upper quartiles of their pay range and not part of the proposed compensation package. It also means that there is the potential for the tremendous loss of tax expertise with retirements. It is important that the salaries and benefit packages remain competitive for the Department to retain high quality tax expertise as well as to offer competitive starting salaries to attract new employees.



STATE OF NORTH DAKOTA  
**OFFICE OF STATE TAX COMMISSIONER**

Cory Fong, Commissioner

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**Exhibit A**  
**Executive Budget Highlights**

**House Appropriations Committee**  
**Representative Blair Thoreson, Chairman**

**House Bill No. 1006**  
**February 5, 2013**

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**GenTax Taxpayer Access Point (TAP)**

A companion product to GenTax, TAP provides secure taxpayer self-service functions via the internet. Taxpayers can view account status, inspect filing and payment history, and file and pay online.

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**Anticipated benefits of TAP:**

*For the taxpayer*

- Allows taxpayers to file and pay their sales, withholding, lodging, and restaurant & lodging taxes online. Business registration and account maintenance are also included.
- Single sign-on page for all accounts configured in TAP – This allows taxpayers to have one username and password for accessing all of their accounts. TAP also provides a one-stop shop with a consistent look and feel throughout all pages. Currently, each of our Webfile systems are segregated, requiring the taxpayer to sign into multiple systems to access the various sales and withholding e-services we provide. This can and does lead to taxpayer confusion and frustration.
- Ability to submit requests electronically – Instead of having to find a form and mail/fax it in to our department, the taxpayer can submit their request electronically. This will eliminate them having to spend their time waiting on the phone during business hours or mailing us a paper form, as they have 24x7 access to their accounts. Taxpayers will be able to view all of their account information at a glance.
- Improved customer service – Instant calculations, business rules, and acknowledgements provide the taxpayer with a rich user experience. The taxpayer can be confident that their request/return/payment was completed properly and received by our office. For those taxpayers who already are using software to file their returns, TAP will easily integrate into those products to make filing seamless with our department.
- Mobile technology has continued to grow and become part of our daily lives. TAP has been engineered to function seamlessly across a variety of browsers and platforms including mobile browsers, such as those found on smartphones and tablets.

*For the Department*

- TAP allows taxpayers to be more self-sufficient. Time spent answering phone calls and opening mail will be reduced, providing more opportunities to focus on other revenue-generating activities.

- In addition to spending less on hosting, development, and maintenance, once the base configuration is developed with this project, tax department IT staff will be able to configure other taxes and add additional functionality without requesting additional projects. TAP now uses the same configuration tools as our GenTax system. Basic changes, which are currently difficult and costly to deploy, will be easily accomplished with our GenTax tools and TAP.
- Technically speaking, our existing TAP module (version 7) was HTML based. Version 8 TAP is built on a new platform which uses Windows Presentation Foundation (WPF) and JavaScript, which must be built from the ground up. This project will allow us to bring in technical expertise to build the base configuration for TAP and the taxes referenced in the project. The funds will also be used for project management, additional resources, GenTax core integration, and to help train our staff so we can continue to configure TAP for years to come.

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### **GenTax Maintenance and Support Services**

Support Services ensure that the agency has immediate access to product experts resulting in more efficient resolution of issues and coverage for the agency's knowledge capital. Support Services are provided by full time on-site Fast Enterprises representatives.

Support Services include, but are not limited to, on-site problem resolution, on call production support, prioritization and facilitation of solution requests, coordinating with Fast solution centers, configuration assistance, application development, best practices recommendations, service pack analysis and installation, upgrade analysis and installation, consulting, user and developer training.

The knowledge provided from our on-site support staff allows us to quickly diagnose problems within our system. It is difficult, if not impossible, to determine the cause of these problems without access to the core code of GenTax – access our users do not have. This knowledge provided to us allows us to further enhance the product and provide greater functionality and efficiency by properly communicating with GenTax core code.

Maintenance includes service packs which are scheduled to be released on a quarterly basis but may be released more or less frequently as required. Their impacts are classified based on 1) software component is backward compatible, 2) configuration/documentation changes are required, and 3) if new database structures, data fixes, significant changes to existing business processes, or recompilation of site specific components is needed.

Although documentation is provided with service packs, assistance from Fast employees is often required to implement them due to the complexity of GenTax. Site-specific processes are sometimes affected by service pack updates, causing them to not work as intended or stop working completely. Fast employees help analyze which changes in the code are responsible for these issues, and help get GenTax up and running smoothly.

If new versions of GenTax are released during the term of the contract, they will be made available to the Department. We expect a new release every biennium, so without this included in our contract, we would have to request additional funds each budget cycle just to keep up on versions. It is very timely and costly, and requires extensive testing if we do not keep up with version updates. Analysis and installation of the new version also requires additional Support Services, which is also included in the current contract. Having access to new versions of GenTax not only provides additional functionality, it ensures that our system keeps up with other technologies as they change.

The Tax Department saves \$160,000 by bundling the maintenance, support services and upgrades into one package.

*HB 1006  
February 11, 2013  
Attachment 2*

## Excerpted from North Dakota Century Code

### 57-43.2-41 Dyed special fuel – Administrative fees – Inspections – Penalty

1. Special fuel dyed for federal motor fuel tax exemption purposes is subject to the tax imposed by section 57-43.2-03 and, unless otherwise provided in this section, may not be used in the fuel supply tank of a licensed motor vehicle. The owner or operator of a licensed motor vehicle found to contain dyed special fuel in the fuel supply tank of that vehicle is subject to the tax imposed by section 57-43.2-02 to be determined based on the capacity of the fuel supply tank of the licensed vehicle involved and is subject to administrative fees as follows:
  - a. a two hundred fifty dollar fee for the first violation.
  - b. A five hundred dollar fee for a second violation occurring within three years of a previous violation.
  - c. A one thousand dollar fee for a third violation occurring within three years of two previous violations.
  - d. A five thousand dollar fee for the fourth and subsequent violations occurring within three years of three or more previous violations.
2. Special fuel found in the fuel supply tank of a licensed motor vehicle shall be considered dyed if the fuel contains traces of the dye in an amount sufficient to be found in violation of federal laws and rules.



STATE OF NORTH DAKOTA  
**OFFICE OF STATE TAX COMMISSIONER**  
Cory Fong, Commissioner

*HB1006  
February 11, 2013  
Attachment 3*

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**INITIAL VIOLATION NOTICE**

**Issue: Using dyed fuel for a taxable purpose**

**Date & Location of Inspection:**

North Dakota Century Code, § 57-43.2-41 requires us to charge a penalty if any dyed fuel is held for use or used in a licensed motor vehicle.

If you fail to remove any dyed fuel from the propulsion tank(s) within 24 hours of this date, you may be subject to additional penalties.

The fuel sample(s) will be sent to the lab to verify evidence of dye. If the results show evidence of dye, a penalty and the additional tax of \$.19 per gallon due under North Dakota Century Code ch. 57-43.2, will be assessed. You will be notified regarding the lab results.

Any penalty and tax assessed by the North Dakota Tax Department in this matter will be in addition to any penalty or penalties assessed by the Internal Revenue Service.

**Penalty Amounts:**

1. \$250.00 for the first violation, plus unpaid tax on the fuel based on tank capacity.
2. \$500.00 for the second violation within a three year period.
3. \$1,000.00 for the third violation within a three year period.
4. \$5,000.00 for the fourth and subsequent violations within three years of three previous violations.

If you have any questions, please contact:

North Dakota Tax Department  
600 E Boulevard Ave. Dept 127  
Bismarck, ND 58505-0599  
701.328.3126

13.8135.01001  
 Title.  
 Fiscal No. 1

Prepared by the Legislative Council staff for  
 House Appropriations - Government  
 Operations Division Committee  
 February 15, 2013

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1006

Page 1, replace line 14 with:

"Salaries and wages	\$18,797,710	\$1,060,629	\$19,858,339
Accrued leave payments		624,818	624,818"

Page 1, replace lines 19 through 21 with:

"Total all funds	\$38,248,449	\$28,848,022	\$67,096,471
Less estimated income	<u>10,000</u>	<u>115,000</u>	<u>125,000</u>
Total general fund	\$38,238,449	\$28,733,022	\$66,971,471"

Page 2, line 20, replace "five" with "four"

Page 2, line 21, replace "fifty-one" with "forty"

Page 2, line 21, replace "nine" with "seven"

Page 2, line 22, replace "two" with "one"

Page 2, line 22, replace "fifty-three" with "sixty-two"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1006 - State Tax Commissioner - House Action**

	Executive Budget	House Changes	House Version
Salaries and wages	\$21,151,815	(\$1,293,476)	\$19,858,339
Operating expenses	8,684,314		8,684,314
Capital assets	66,000		66,000
Homestead tax credit	30,685,000		30,685,000
Disabled veterans credit	7,178,000		7,178,000
Accrued leave payments		624,818	624,818
Total all funds	\$67,765,129	(\$668,658)	\$67,096,471
Less estimated income	<u>125,000</u>	<u>0</u>	<u>125,000</u>
General fund	\$67,640,129	(\$668,658)	\$66,971,471
FTE	134.00	0.00	134.00

**Department No. 127 - State Tax Commissioner - Detail of House Changes**

	Corrects Executive Compensation Package <sup>1</sup>	Adjusts State Employee Compensation and Benefits Package <sup>2</sup>	Provides Separate Line Item for Accrued Leave Payments <sup>3</sup>	Total House Changes
Salaries and wages	\$21,963	(\$690,621)	(\$624,818)	(\$1,293,476)
Operating expenses				
Capital assets				
Homestead tax credit				
Disabled veterans credit				
Accrued leave payments			624,818	624,818
	<u>\$21,963</u>	<u>(\$690,621)</u>	<u>\$0</u>	<u>(\$668,658)</u>

Total all funds				
Less estimated income	0	0	0	0
General fund	\$21,963	(\$690,621)	\$0	(\$668,658)
FTE	0.00	0.00	0.00	0.00

<sup>1</sup>Funding is added due to a calculation error in the executive compensation package.

<sup>2</sup>This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

<sup>3</sup>A portion of funding for permanent employees compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Section 4 of this bill is amended to reflect the change in the Tax Commissioner's salary from a 4 percent increase each year of the biennium to a 3 percent increase each year.



STATE OF NORTH DAKOTA  
**OFFICE OF STATE TAX COMMISSIONER**

Cory Fong, Commissioner

# 1

**BUDGET PRESENTATION**

**SENATE APPROPRIATIONS COMMITTEE**  
**SENATOR RAY HOLMBERG, CHAIRMAN**

**House Bill 1006**  
**March 14, 2013**

**Agency Overview**

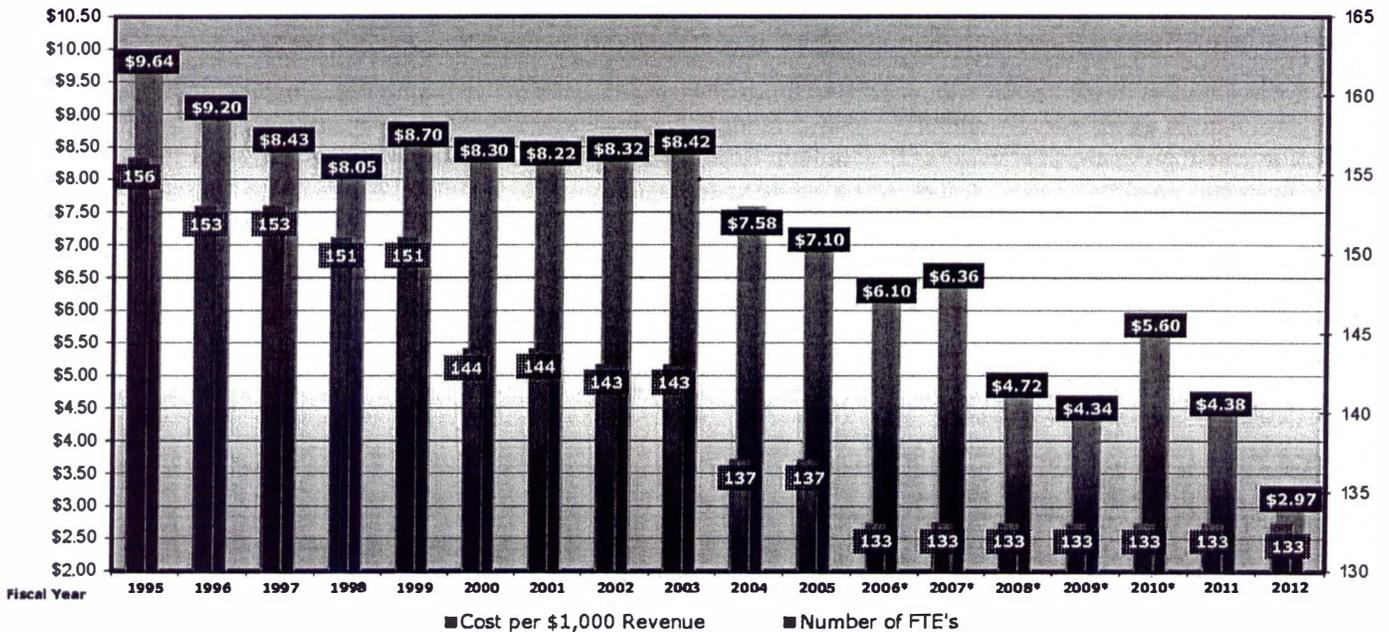
The Office of State Tax Commissioner’s mission is to fairly and effectively administer the tax laws of North Dakota. In addition, the Department’s vision statement and guiding principles emphasize customer service as a top priority and stress the importance of providing prompt, accurate, and courteous service while promoting compliance with the tax laws of North Dakota.

The most recent audit of the Office of State Tax Commissioner for the biennium ending June 30, 2011, did not reflect any formal financial audit findings.

For the 2011-13 biennium, the Tax Department is anticipated to collect nearly 95 percent of all general fund dollars (excluding transfers). In Fiscal Year 2011, the Tax Department collected \$2.869 billion. In FY 2012, total revenue collected was \$4.096 billion, for a 43 percent increase from FY 2011. A few of the notable increases in tax revenue collected include: state sales tax, up 33 percent; city sales tax, up 44 percent; corporate income tax, up 42 percent; gross production tax, up 65 percent; oil extraction tax, up 74 percent; city lodging, up 43 percent; and special fuels, up 32 percent.

The cost to collect \$1,000 in revenue for FY 2012 was \$2.97 compared to \$9.64 in 1995. This equates to a numeric reduction of \$6.67 when comparing dollar amounts. Adjusting for inflation, the 1995 cost would be \$14.51 today, for a drop of \$11.54 in real terms.

**Tax Department Total Cost per \$1,000 Revenue Collected**



**Budget overview**

Line Item/ \$ Object Description	Appropriation 2011-2013	Estimated Expenses 2011-2013	Variance		Governor's Recommended 2013-2015	Inc/(Decr) Recommended over 11-13 Appn	
Salaries & Wages	18,797,710	17,918,710	879,000	1	21,151,815	2,354,105	2
Operating Expenses	7,448,031	7,427,031	21,000	3	8,684,314	1,236,283	4
Capital Assets	16,000	16,000	0		66,000	50,000	5
<b>Subtotal</b>	<b>26,261,741</b>	<b>25,361,741</b>	<b>900,000</b>		<b>29,902,129</b>	<b>3,640,388</b>	
% of Change						13.9%	
Homestead Tax Credit (General Fund)	8,792,788	8,792,788	0		30,685,000	21,892,212	6
Disabled Veterans Credit (General Fund)	4,243,920	5,225,775	(981,855)	7	7,178,000	2,934,080	8
<b>TOTAL FOR DEPARTMENT</b>	<b>\$39,298,449</b>	<b>\$39,380,304</b>	<b>(81,855)</b>		<b>\$67,765,129</b>	<b>\$28,466,680</b>	
# FTE	134				134	134	
<b>TOTAL GENERAL FUND</b>	<b>39,288,449</b>	<b>39,370,304</b>	<b>(81,855)</b>		<b>67,640,129</b>	<b>28,351,680</b>	
<b>TOTAL SPECIAL FUND</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	
<b>TOTAL FEDERAL FUND</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>		<b>125,000</b>	<b>115,000</b>	
<b>TOTAL FUNDING SOURCE</b>	<b>\$39,298,449</b>	<b>\$39,380,304</b>	<b>(\$81,855)</b>		<b>\$67,765,129</b>	<b>\$28,466,680</b>	
% of Change						72.4%	

- <sup>1</sup> The projected variance in Salaries is due to savings from vacancies including projected unspent contingency funds. As of 12/30/2012 we had five vacancies.
- <sup>2</sup> The increase in the Salary line includes the cost to continue the 2011–13 biennium salary expenses and the proposed salary compensation package recommended by the Governor.
- <sup>3</sup> The variance represents the projected amount of unspent contingency funds by the end of the biennium.
- <sup>4</sup> The base budget request reflects the reduction for savings generated in our operating line, a reduction for a one-time appropriation, an increase for additional federal funds being made available for the Department's motor fuel tax enforcement program, an increase of \$1.0 million for continuing a comprehensive service contract for the upgrade, maintenance, and support of GenTax, and a one-time appropriation of \$1.0 million to implement the taxpayer access point (TAP) module of GenTax to improve online filing and payment options for taxpayers.
- <sup>5</sup> The increase in capital assets is due to additional federal funds being made available for the Department's motor fuel tax enforcement program.
- <sup>6</sup> An additional \$20 million is recommended to expand the Homestead Credit program through eliminating the asset test, raising the income threshold to \$50,000 per household, and excluding Social Security benefits from the calculation of income. (SB 2171)
- <sup>7</sup> A deficiency appropriation of \$981,855 is requested for the Disabled Veterans Credit program for the remainder of the 2011–13 biennium. (HB 1023)
- <sup>8</sup> The 2013–15 increase for the Disabled Veterans Credit program reflects the amount needed to fully fund this program based on current program eligibility requirements.

**House Amendments**

Line Item/ \$ Object Description	Governor's Recommended 2013 - 2015	House Amendments		Appropriation After House Amendments	Request of Senate to Restore
		21,963	1		
		(690,621)	2		
		(624,818)	3		
Salaries & Wages	21,151,815	(99,884)	2	19,758,455	1,393,360
Accrued Leave Payments	0	624,818	3	624,818	(624,818)
		(12,480)	4		
Operating Expenses	8,684,314	(65,000)	5	8,606,834	77,480
Capital Assets	66,000	(50,000)	5	16,000	50,000
<b>Subtotal</b>	<b>29,902,129</b>	<b>(896,022)</b>		<b>29,006,107</b>	<b>896,022</b>
% of Change		(3%)			
Homestead Tax Credit (Gen Fund)	30,685,000	(20,000,000)	6	10,685,000	20,000,000
Disabled Veterans Credit (Gen Fund)	7,178,000	0		7,178,000	0
<b>TOTAL FOR DEPARTMENT</b>	<b>\$67,765,129</b>	<b>(\$20,896,022)</b>		<b>\$46,869,107</b>	<b>20,896,022</b>
# FTE	134				
TOTAL GENERAL FUND	67,640,129	(20,781,022)		46,859,107	20,781,022
TOTAL SPECIAL FUND		0			
TOTAL FEDERAL FUND	125,000	(115,000)		10,000	115,000
<b>TOTAL FUNDING SOURCE</b>	<b>\$67,765,129</b>	<b>(\$20,896,022)</b>		<b>\$46,869,107</b>	<b>\$20,896,022</b>
% of Change		(30.84%)	7		

<sup>1</sup> Funding was added due to a calculation error in the executive compensation package.

- <sup>2</sup>
- Reduces the performance component from 3 to 5% per year to 2 to 4% per year;
  - Reduces the market component from 2 to 4% per year for employees below midpoint to up to 2% for employees in the 1<sup>st</sup> quartile for the first year of the biennium only; and
  - Removes funding for additional retirement contribution increases.
  - Removes funding included in the executive budget recommendation to provide compensation allowances to employees located in areas affected by oil development
  - The total reduction to the Salary & Wages lines is \$1,393,360.

<sup>3</sup> A portion of funding for permanent employees' compensation and benefits is reallocated from the Salary & Wages line to an Accrued Leave Payments line for paying annual and sick leave for eligible employees.

- <sup>4</sup>
- Removes funding included in the executive budget recommendation to provide travel allowances to employees working in areas affected by oil development.
  - The total reduction to the Operating Expenses line is \$77,480.

<sup>5</sup> Removes funding included in the executive budget recommendation for the Motor Fuels Tax Enforcement Program activities. Total of \$115,000.

<sup>6</sup> Removes funding included in the executive budget recommendation to expand the Homestead Tax Credit program.

<sup>7</sup> Percent of change for House Amendments from Governor's Recommended Budget.

The amendments made by the House of Representatives are reflected on the above schedule. The Tax Department is respectfully requesting the reinstatement of all amendments made by the House to HB 1006.

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## **New Amendment – Spending Authority Carryover**

The Tax Department is also requesting an amendment to HB 1006 to provide for carryover authority of unspent grant funds provided to NDSU during the 2011-13 biennium for the purpose of converting the software of the core model used for the preparation of agricultural land valuations as required under section 57-02-27.2. The project is moving along very well, but it is anticipated that it will not be completed entirely before June 30, 2013, and thus the request to extend the carryover authority into the 2013-15 biennium.

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## **Agency Accomplishments**

The Office of State Tax Commissioner's top priority continues to be focused on providing taxpayers with excellent customer service. During the 2009-11 biennium, the Department pursued various customer service-related activities.

- **GenTax.** In May 2012 we successfully completed the upgrade from GenTax Version 6 to GenTax Version 8. As a result of this upgrade we now have a more robust and enhanced system. Each GenTax application server is now able to run and/or take over if another server fails. We are now able to take part in a new feature called data exchange. Security, which is always a major concern, has also received an overhaul with Version 8. Taxpayer Access Point (TAP), GenTax's integrated web solution, has been completely redesigned with Version 8 to support multiple end-user operating systems and browser platforms, allowing us to provide web solutions that will work from a PC, Mac, or mobile device. Version 8 provides enhanced developer tools to our IT staff, allowing us to configure returns and worksheets to look more like the real return or document.
- **E-File Services.** During 2012, just over 80 percent of the eligible individual income tax returns were filed electronically with the Office of State Tax Commissioner. This represents growth of nearly 13 percent compared to the number of e-file returns received during 2011. In January 2010, the Tax Department began offering individual taxpayers the option to file a state-only individual income tax return online through the new North Dakota Individual Income Tax WebFile system. TAP was the tool used to develop this WebFile option. In addition to the individual income tax e-file, the Tax Department also offers electronic filing options for three business tax types: Corporations, Partnerships, and Subchapter S Corporations.
- **Discovery/Compliance Achievements.** During the 2011-13 biennium, the Office of State Tax Commissioner continued its discovery work in individual income tax, corporate income tax, and sales tax. This work resulted in an additional \$3.8 million in collections for fiscal year 2011 and \$11 million in fiscal year 2012.
  - Dyed fuel enforcement projects in cooperation with the Highway Patrol and the Department of Transportation.
  - The multi-agency Contractor Compliance task force inspected 61 sites involving 181 contractors. The task force found 30 unlicensed contractors of which work was suspended for 12 of the unlicensed contractors.
- **Customer Service Initiatives.** New initiatives include:
  - One-stop shop to educate contractors about their responsibilities as they pursue business in the state of North Dakota.
  - Joint North Dakota and IRS seminars to educate taxpayers and property owners affected by the 2011 flood in Bismarck and Minot.
  - YouTube messages were established as an outreach to promote the individual income tax filing season and educate taxpayers about a number of individual income tax resources.

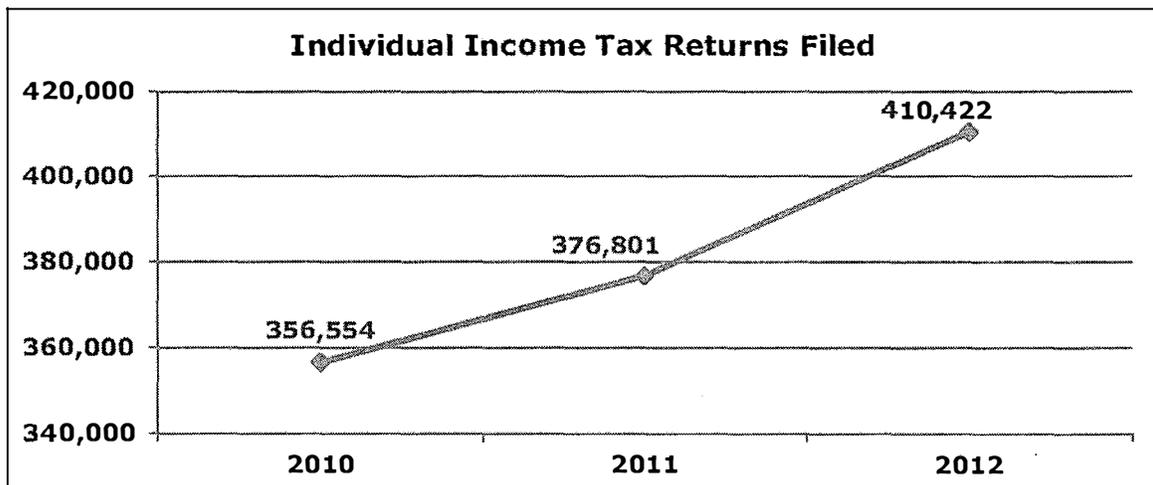
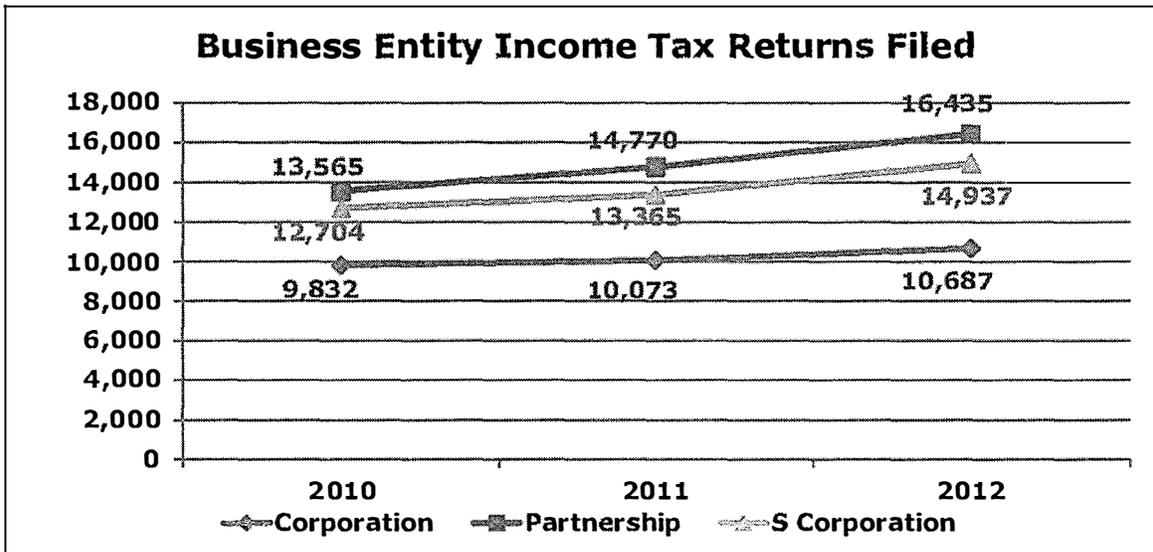
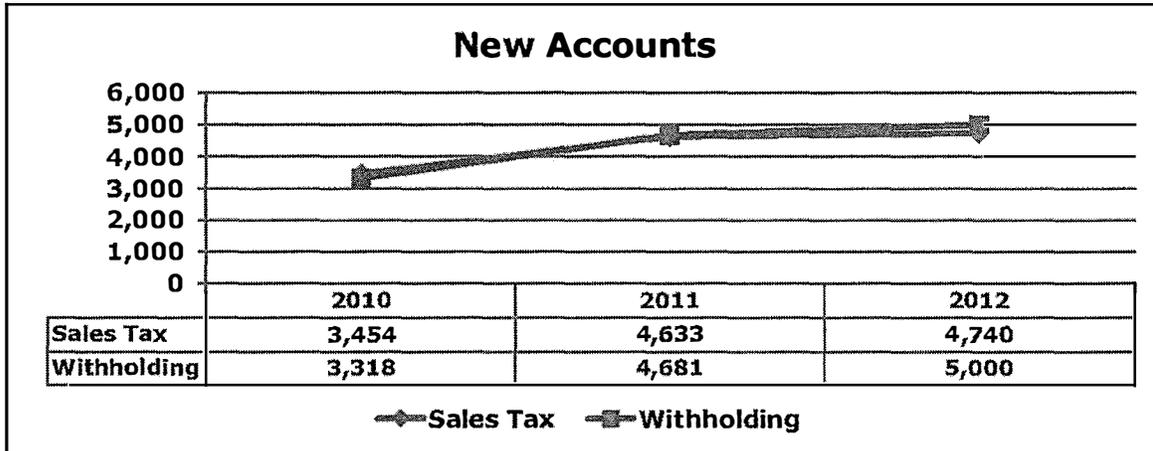
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## Future Critical Issues & Needs

In order to improve the Department's efficiency and effectiveness of achieving our mission and purpose, the Tax Department is requesting that consideration be given to the following future critical issues and needs.

- The growing energy development in North Dakota has resulted in a significant workload increase across the tax types administered by the Office of State Tax Commissioner. In addition to increased oversight and compliance activities, during the 2011-13 biennium the Department also dedicated considerable time working with other state agencies on issues of common concern. Two such programs include the One Stop Shop to educate contractors and the dyed fuels enforcement activities. These programs required the Department to spend significant time working with other agencies – the IRS, Highway Department, Secretary of State, Attorney General, and Department of Transportation – in order to fulfill our compliance goals. Continued coordination between our agency and others is particularly important to ensure the fair and effective administration of the tax laws of North Dakota.
- As of May 2012, the Office of State Tax Commissioner has the highest average years of service (19.5 years) of all state agencies and it is estimating nearly 30 percent of current staff may qualify for retirement. While the high number of possible retirements and resulting financial impact is a concern (paying retiring employees for outstanding leave balances), of greater concern is the tremendous loss of tax expertise.
- In addition to the concern of future retirements, recruiting for vacant positions continues to be increasingly competitive. North Dakota's strong economy is creating opportunities for individuals seeking employment. This has resulted in a tightening labor pool as students and experienced workers are in high demand. Of particular concern is recruiting for vacant positions in the Dickinson, Minot, and Williston areas. With the surge in energy-related businesses operating in these areas and the employment opportunities that accompany this economic boom, it is becoming increasingly difficult to compete in the available labor pool to recruit for vacant positions.
- The budget request for \$3.2 million for the next biennium will allow the Department to contract with FAST Enterprises (FAST) for continued software maintenance, on-site support, service packs and upgrades. On-site FAST developers work with the Tax Department and Information Technology Department (ITD) staff to ensure GenTax is managed effectively and to increase the state's level of competence for ongoing operations and maintenance. The complexity and depth of GenTax will require ongoing support from FAST to maintain the GenTax product.
- Taxpayers are requesting more electronic options to file tax returns. The Department is requesting \$1 million for the next biennium to move its sales tax registration and WebFile to the GenTax Taxpayer Access Point (TAP) program. TAP is a self-service application that allows taxpayers to register their businesses, file and pay their taxes, and maintain their accounts online. The application will be available to those who file and/or pay sales tax, lodging tax, restaurant & lodging tax, and/or withholding taxes. The application will include the ability to submit applications, request permits and licenses, file returns, make payments, maintain account information, view correspondence, and communicate more easily and efficiently with the Department.
- Providing a safe and functional office environment is important for the Office of State Tax Commissioner's employees and customers. The Department continues to look for opportunities to change the way it does business, which may require different arrangement of the current space.
- The Tax Department relies on seasonal employees to assist with processing seasonal tax returns to include opening mail, data entry, error resolution, and processing of Canadian refunds. It is important that the Tax Department has the resources, specifically funding for seasonal employees, to continue to provide timely and accurate processing of returns while promoting compliance with the tax laws of North Dakota.

### Growth in New Accounts & Returns Filed



PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1006

Page 1, line 4, after the semi-colon insert "to provide an exemption;"

Page 2, after line 12, insert:

**"SECTION 3. EXEMPTION.** Up to \$50,000 of the general fund appropriation to the state tax commissioner in section 1 of chapter 6 of the 2009 Session Laws is not subject to the provisions of section 54-44.1-11, and may be distributed by the state tax commissioner as a grant to North Dakota state university, department of agribusiness and applied economics, for the purpose of converting the software of the core model fused for the preparation of agricultural land valuations as required under section 57-02-27.2, during the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 2, line 13, replace "3" with "4"

Page 2, line 18, replace "4" with "5"

Renumber accordingly