

FISCAL NOTE
Requested by Legislative Council
01/13/2015

Bill/Resolution No.: HB 1275

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(78,900,000)			
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

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

HB 1275 creates an income tax deduction for persons 65 years old and older.

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

HB 1275 provides property tax relief in the form of an individual income tax deduction of up to \$50,000 for persons who are 65 years old or older. The deduction phases out at higher income levels. Person who rent their primary residence in North Dakota also potentially qualify for the tax credit.

If enacted, HB 1275 is estimated to reduce state general fund revenues between \$68.1 million and \$89.7 million in the 2015-17 biennium. The midpoint of this range is -\$78.9 million, as shown above.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 01/27/2015

2015 HOUSE FINANCE AND TAXATION

HB 1275

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1275
1/28/2015
22720

- Subcommittee
 Conference Committee

Committee Clerk Signature

May Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to an individual income tax deduction for individuals sixty five years of age or older.

Minutes:

Attachment #1

Chairman Headland: Opened hearing.

Representative Fehr: Introduced bill. Provided testimony. See attachment #1.

Chairman Headland: Do you believe that seniors choose to relocate to other states because of the taxes?

Representative Fehr: I've talked with some people under the age of 65 and some have said yes to that question.

Chairman Headland: If they moved to Florida, Texas, or Arizona they don't have income tax so I understand what you're doing here.

Representative Steiner: If you have one person who is not 65 do you have the spouse who is 65 file separately then to get some kind of tax break on that retirement income?

Representative Fehr: They don't both get the tax break. I'm not sure how that works though. I don't think they have to file differently but just one would only get the tax break if they aren't both qualified.

Representative Trottier: Do you have any idea how much a retired couple, 67 years old, would pay in taxes for \$50,000 of income?

Representative Fehr: I don't know the answer to that question.

Representative Dockter: You have your standard deduction and your personal exemptions you can make \$20,000 without any federal so social security wouldn't be taxed. Under our current tax you can make about \$45,000 and not pay anything in state income tax. Did you look at that to see where the break is?

Representative Fehr: You know more about that than I do.

Chairman Headland: Any further questions? We'll take support on HB 1275.

Josh Askvig, AARP North Dakota: We generally support the concept. Those with fixed incomes or those with less means to pay would have an opportunity to see relief and it makes sense to us. Sixty one percent of North Dakotans over the age of 65 on social security rely on that for 50% or more of their income. One in three relies on it for 100% of their income at age 65 and older. Having something that looks at the cap of \$50,000 makes sense to us. We support this.

Chairman Headland: Is there any further testimony in support? Is there any opposition? Are there any questions for the tax department?

Representative Dockter: The fiscal note is at \$78 million so to me that would mean to be a lot of people with a very good income that this would help out. You can make almost \$45,000 or \$50,000 with social security benefits and a pension and not pay anything. I'm assuming this is for people that are high earners and not for the people who have just a little social security and pension.

Matt Peyerl, Office of State Tax Commissioner: It phases out after \$50,000 or \$100,000 so it probably relates to a lot of seniors. The fiscal note probably isn't able to go in and pick apart how much of their income is taxable; it probably just pulls it from their returns and computes it on their taxable income. Some of the comments you made earlier regarding the level of taxation and what you'd be at and still have tax would be in the ballpark. If you're just a regular couple a \$50,000 income with standard deductions is about \$275 in tax without any consideration that some of it may have been social security and be exempted.

Chairman Headland: The large number we see here may not reflect the true impact of what this bill would be?

Matt Peyerl: I would say it's computed based on the best information available and maybe that's the high end so the true number could be something less depending on the specific facts of all the different filers. I could visit with the people who worked on the note to see if there were any other considerations that might be helpful to add some context to the computation.

Chairman Headland: I think what it shows is that for the most part we have a very healthy senior group in this state and very wealthy as well.

Matt Peyerl: Is there anything you want me to follow up on then?

Chairman Headland: Committee, does anybody want Matt to follow up on the fiscal note. Ok, I think we're fine. Thank you. We will close the hearing on HB 1275.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1275
2/9/2015
23493

- Subcommittee
 Conference Committee

Committee Clerk Signature *Mary Brucker*

Explanation or reason for introduction of bill/resolution:

A bill relating to an individual income tax deduction for individuals sixty five years of age or older.

Minutes:

No attachments.

Chairman Headland: This is an income tax reduction for sixty five and older.

Representative Dockter: A couple over the age of 65 can make \$20,000 without any income tax and their social security doesn't get taxed. I don't think its good tax policy; if you do it then you should do it for everyone. **MADE A MOTION FOR A DO NOT PASS.**

Representative Toman: SECONDED.

**ROLL CALL VOTE: 13 YES 1 NO 0 ABSENT
MOTION CARRIES FOR DO NOT PASS.**

Representative Klein will carry this bill.

Date: 2-9-15
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1275**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. Dockter Seconded By Rep. Toman

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	✓	
REP DOCKTER	✓		REP MITSKOG	✓	
REP TOMAN	✓		REP SCHNEIDER		✓
REP FROSETH	✓				
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN	✓				
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 13 No 1

Absent 0

Floor Assignment Rep. Klein

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

REPORT OF STANDING COMMITTEE

HB 1275: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (13 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). HB 1275 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

HB 1275

HB 1275
1-28-15
#1

Testimony on HB 1275 Rep Alan Fehr, District 36

Mr Chairman and members of the Finance and Tax Committee, I am Representative Alan Fehr of District 36.

I am here to introduce HB 1275, which relates to reducing state income tax for individuals age 65 and older.

The intent of the bill is two-fold:

1. To financially support our senior citizens who are less likely to be earning income from employment, as often they are living on a fixed income, such as Social Security or some form of retirement funds.
2. To encourage our senior citizens to continue to be residents of this state after retirement.

HB 1275 establishes reductions in state income tax liability with some limitations:

1. As indicated on page 1, line 8, they must be age 65 or older,
2. As indicated on page 1, lines 7 – 10, they must have a primary residence in the state,
3. As indicated on page 1, subsections 1 & 2, beginning on line 11, the reduction is capped at \$50,000 of income for individuals and \$100,000 for couples over 65 filing jointly. In other words, a qualified individual who makes \$50,000 or less will not pay a state income tax. A qualified couple that make \$100,000 or less will not pay a state income tax.
4. As indicated on page 1, lines 12-13, as an individual's income exceeds \$50,000, their tax break is reduced dollar for dollar. For example, an individual who has \$75,000 in income would only realize a \$25,000 decrease in their taxable income. A couple who have \$150,000 in income would only realize a \$50,000 decrease in their taxable income.

In conclusion, this bill gives many state residents over age 65 a break on their state income tax starting with the 2015 tax year. This will help people who may live on a fixed income and encourage people to stay in ND after retirement.

Thank you for your consideration of HB 1275. I welcome your questions.