

FISCAL NOTE
Requested by Legislative Council
01/14/2019

Bill/Resolution No.: HB 1510

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(-47,200,000)			
Expenditures						
Appropriations						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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 1510 creates a refundable state earned income tax credit for North Dakota residents who claim the federal earned income tax credit.

- 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.*

The bill allows a North Dakota resident individual to claim a state earned income tax credit equal to twenty-five percent of the federal earned income tax credit claimed on the individual's federal income tax return. If the amount of the state credit exceeds the individual's state income tax, the excess is refunded to the individual. The total federal earned income tax credits claimed on federal income tax returns filed for 2016, the most recent tax year for which complete numbers are available, was approximately \$94.4 million.

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.*

If enacted HB 1510 is expected to reduce state general fund revenues by an estimated \$47.2 million in the 2019-21 biennium.

- 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.*

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Agency: Office of Tax Commissioner

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Date Prepared: 01/26/2019

2019 HOUSE FINANCE AND TAXATION

HB 1510

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1510
1/29/2019
31670

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to an income tax credit equal to a portion of a taxpayer's federal earned income credit.

Minutes:

Attachment 1

Chairman Headland: Opened hearing on HB 1510.

Representative Guggisberg: Introduced bill. Distributed written testimony, see attachment 1. There are 25 states that already do this. It's a match to the earned income tax credit. It is a way to help the working poor and middle class people with additional money back on their taxes. If you're a very low earning person you don't get as much because you don't pay in as much then there is a peak and as you earn more you get less back again. It's around \$55,000 for married filing jointly. If conservatives want to find a way to help the working poor, then this is usually what they look at. The other ways to do it is with minimum wage. By having employers pay more in wages their employees use less government benefits. The earned income tax credit is a middle of the ground way to even out our tax system. Our tax system is getting more regressive. We had testimony in the interim tax committee stating how lower income taxes can help. There are two ways to distribute income; the way we do it in the United States with a progressive income tax or in Europe they use value added tax, sales taxes, but it costs them a lot in social benefits to even things out. In my opinion we are heading more towards a regressive tax, a more user tax, and we're not adding the benefits with it. This would be a small way to reverse that and even out our tax system.

Chairman Headland: Is there further testimony in support? Is there opposition? Seeing none we will close the hearing on HB 1510. This is a bill we've seen the past several sessions. I'm looking for direction.

Representative Blum: MADE A MOTION FOR A DO NOT PASS

Representative B. Koppelman: SECONDED

Chairman Headland: This is just redistribution that I don't think the state needs to get in to. Is there any other discussion?

House Finance and Taxation Committee
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ROLL CALL VOTE: 11 YES 2 NO 1 ABSENT

MOTION CARRIED

Vice Chairman Grueneich will carry this bill.

Date: 1-29-19
Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1510**

House Finance and Taxation Committee

Committee

Subcommittee

Amendment LC# or Description:

Recommendation:	<input type="checkbox"/> Adopt Amendment	<input type="checkbox"/> Do Pass <input checked="" type="checkbox"/> Do Not Pass	<input type="checkbox"/> Without Committee Recommendation
	<input type="checkbox"/> As Amended	<input type="checkbox"/> Rerefer to Appropriations	
	<input type="checkbox"/> Place on Consent Calendar	<input type="checkbox"/> Reconsider	<input type="checkbox"/>

Other Actions: Reconsider _____

Motion Made By Rep. Blum Seconded By Rep. Koppelman

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson		✓
Vice Chairman Grueneich	✓		Representative Mitskog		✓
Representative Blum	✓				
Representative Dockter	✓				
Representative Ertelt	✓				
Representative Fisher	✓				
Representative Hatlestad	✓				
Representative Kading	✓				
Representative Koppelman	✓				
Representative Steiner	✓				
Representative Toman	X				
Representative Trottier	A				

Total (Yes) 11 No 2

Absent _____

Floor Assignment Rep. Gruenreich

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

REPORT OF STANDING COMMITTEE

HB 1510: Finance and Taxation Committee (Rep. Headland, Chairman) recommends
DO NOT PASS (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1510 was
placed on the Eleventh order on the calendar.

2019 TESTIMONY

HB 1510

Testimony Notes Representative Guggisberg HB 1510

#1
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Good morning Chairman Headland and Members of the Taxation and Finance Committee. HB 1510 is a 25% credit match to the Federal Earned Income Tax Credit (EITC).

Benefits:

- EITC is the “conservative” approach to financially helping low to middle-income families
- Benefits earned on a concave curve function
- Easy to implement
- Already in place in 25 States

State	Percentage of Federal Credit
California	85
Colorado	10
Connecticut	27.5
Delaware	20
District of Columbia	40
Illinois	10
Indiana	9
Iowa	15
Kansas	17
Louisiana	3.5

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Maine	5
Maryland	28
Massachusetts	23
Michigan	6
Minnesota Low	25
Minnesota High	45
Nebraska	10
New Jersey	30
New Mexico	10
New York	30
Ohio	10
Oklahoma	5
Oregon	8
Rhode Island	12.5
Vermont	32
Virginia	20
Wisconsin One Child	4
Wisconsin Two Children	11

About EITC:

Earned Income and AGI Limits

The tax year 2018 Earned income and adjusted gross income (AGI) must each be less than:

Qualifying Children Claimed

If filing...

	Zero	One	Two	Three or more
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Single, Head of Household or Widowed	\$15,270	\$40,320	\$45,802	\$49,194
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Married Filing Jointly	\$20,950	\$46,010	\$51,492	\$54,884
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Maximum Credit Amounts

The maximum amount of credit for Tax Year 2018 is:

- \$6,431 with three or more qualifying children
- \$5,716 with two qualifying children
- \$3,461 with one qualifying child
- \$519 with no qualifying children