

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/18/2021**

Bill/Resolution No.: HB 1374

- 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.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

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

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 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 1374 creates a new income tax deduction for individuals who receive COVID-19 related state or federal payments or benefits included in their federal taxable income.

- 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 1374 creates a new income tax deduction for individuals for the amount of COVID-19 related state or federal payments or benefits included in their federal taxable income. The bill is broad in scope in that it applies to “any payment or benefit...authorized by the state or federal government...in response to COVID-19... .” While this would certainly apply to the additional unemployment benefits specifically authorized by federal COVID-related legislation, it is not certain to what extent it would apply to regular unemployment benefits for job losses attributable to government-mandated business shutdowns and other factors. The amount of unemployment benefits authorized by federal COVID-related legislation alone amounted to almost \$568 million in 2020. In 2021, such payments are authorized through March 13, under which total payments already made through January 25, 2021, amount to approximately \$21.3 million, with an estimated payout that could reach \$142 million.

The new deduction may also apply to individuals who own and operate sole proprietorships, if they receive any government-authorized business grant monies, which are taxable. However, it is not certain if the deduction is intended to apply to individuals who own interests in partnerships or other pass-through business entities that receive taxable business grant monies, which would be passed through and taxed to the individuals.

What other types of taxable payments or benefits are intended to be deductible under the bill is unknown. It is also unknown what, if any, new payments and benefit programs may be authorized by the state or federal government in 2021 and after.

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 1374 is expected to reduce state general fund revenues for the 2021-23 biennium, the extent of which is unknown. The amount of the reduction is dependent upon actual payments and benefits yet to be made under state and federal programs in response to the COVID-19 pandemic. There are any number of unknown variables that will affect current as well as possible new programs.

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 Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701328-3402

**Date Prepared:** 01/26/2021