

2021 HOUSE FINANCE AND TAXATION

HB 1129

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1129
1/11/2021

A bill relating to the marriage penalty credit and an income tax exclusion for social security benefits.

Chairman Headland opened the hearing at 9:29am. Roll call for attendance:

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Eliminate state income tax on social security benefits

Representative Bellew introduced bill. Read his testimony #509 (9:30am-9:32am).

No further testimony.

Joe Becker, North Dakota Tax Department, answered questions from committee (9:35am).

Hearing closed at 9:39.

Mary Brucker, Committee Clerk

HB 1129 Testimony

This bill, if passed, would eliminate State Income Tax on Social Security Benefits.

Before 1984, Social Security benefits were not taxable under the federal personal income tax. In 1983, Congress enacted legislation to tax Social Security, up to half of the Social Security benefits of taxpayers with incomes above certain threshold levels with the proceeds from the tax to be put into the Social Security trust funds. The formula for taxation was written in such a way that few retirees would be affected. The provision was not indexed for inflation. Thus, more retirees pay tax every year. Social Security taxes are strictly a middle-class tax. Most if not all, the other provisions of the federal income tax are indexed to inflation, but not Social Security.

In 1994, the amount taxed was raised to 85% of Social Security benefits.

Currently, 37 states do not tax Social Security benefits.

For decades, seniors have paid into Social Security with their tax dollars. Now, when many seniors are on a fixed income and struggling financially, they are being double taxed because of income taxes on their Social Security. To me, this is just plain wrong.

Seniors have already paid taxes on their Social Security, since Social Security is not pretax. I view ending the taxation on Social Security as a simple idea and the right thing to do. In many cases, by taxing Social Security, we are punishing people who saved for retirement. This is not fair. I consider this a double tax on benefits that seniors have already paid for. I feel that we as Americans already pay too many taxes, federal taxes, state taxes, property taxes, sales taxes and the list goes on.

Taxing Social Security benefits is an unfair double tax. The need our seniors face is even greater this year due to the numerous financial stresses caused by COVID. Repealing this unfair tax will allow more money to be spent in North Dakota and hopefully attract more retirees to North Dakota. I don't think it is right to tax Social Security, especially now that our nation is reeling from the economic fallout of Covid-19. Let's "kill the double tax".

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1129
1/19/2021

A bill relating to the marriage penalty credit and an income tax exclusion for social security benefits.

Chairman Headland opened discussion at 2:41pm.

Discussion Topics:

- Amendment 21.0487.01001

Representative B. Koppelman distributed a proposed amendment 21.0487.01001. (#1715)

Representative B. Koppelman made a motion to adopt amendment 21.0487.01001.

Representative Fisher seconded the motion.

Voice vote-motion carried.

Representative B. Koppelman made a motion for a Do Pass As Amended and Rerefer to Appropriations.

Representative Hatlestad seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	N
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	N
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Motion carried 12-2-0

Representative B. Koppelman will carry this bill on the floor.

Chairman Headland closed the discussion at 2:53pm.

Mary Brucker, Committee Clerk

Do 1/14/21
1051

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1129

Page 2, line 3, remove the overstrike over "~~For taxpayers with federal adjusted gross income of~~"

Page 2, line 3, after "fifty" insert "seventy-five"

Page 2, line 3, remove the overstrike over "~~thousand dollars or less,~~"

Page 2, line 4, remove the overstrike over "~~or one hundred~~" and insert immediately thereafter "fifty"

Page 2, line 4, remove the overstrike over "~~thousand dollars or less if married filing jointly, reduced~~"

Page 2, line 4, remove "Reduced"

Page 2, line 5, remove the overstrike over "an"

Page 2, line 5, remove "the"

Page 2, line 5, remove the overstrike over "~~equal to~~"

Page 2, line 5, remove "of"

Page 2, after line 6, insert:

"SECTION 3. AMENDMENT. Subdivision t of subsection 2 of section 57-38-30.3 of the North Dakota Century Code, as amended by section 2 of this Act, is amended and reenacted as follows:

- t. ~~For taxpayers with federal adjusted gross income of seventy-five thousand dollars or less, or one hundred fifty thousand dollars or less if married filing jointly, reduced~~Reduced by ~~an~~the amount equal ~~to~~of social security benefits included in a taxpayer's federal adjusted gross income under section 86 of the Internal Revenue Code."

Page 2, line 7, replace "This" with "Section 2 of this"

Page 2, line 7, after "for" insert "the first two"

Page 2, line 8, after the period insert "Sections 1 and 3 of this Act are effective for taxable years beginning after December 31, 2022."

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1129: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1129 was placed on the Sixth order on the calendar.

Page 2, line 3, remove the overstrike over "~~For taxpayers with federal adjusted gross income of~~"

Page 2, line 3, after "~~fifty~~" insert "seventy-five"

Page 2, line 3, remove the overstrike over "~~thousand dollars or less,~~"

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Renumber accordingly

21.0487.01001
Title.

Prepared by the Legislative Council staff for
Representative B. Koppelman
January 12, 2021

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1129

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Renumber accordingly

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1129
1/27/2021

A bill relating to the marriage penalty credit and an income tax exclusion for social security benefits.

Chairman Headland opened the hearing at 8:58am.

Representatives	Present
Representative Craig Headland	P
Representative Vicky Steiner	P
Representative Dick Anderson	P
Representative Glenn Bosch	AB
Representative Jason Dockter	P
Representative Sebastian Ertelt	P
Representative Jay Fisher	P
Representative Patrick Hatlestad	P
Representative Zachary Ista	P
Representative Tom Kading	AB
Representative Ben Koppelman	P
Representative Marvin E. Nelson	P
Representative Nathan Toman	P
Representative Wayne A. Trottier	P

Discussion Topics:

- Reconsider our actions

Representative B. Koppelman made a motion to reconsider our previous actions.

Representative D. Anderson seconded the motion.

Voice vote-motion carried.

Representative B. Koppelman made a motion for a Do Pass As Amended and Rerefer to Appropriations.

Representative Fisher seconded the motion.

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	AB

Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	AB
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	N
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Motion carried 11-1-2

Representative B. Koppelman will be the bill carrier.

Meeting adjourned at 8:59am.

Mary Brucker, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1129: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (11 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). HB 1129 was placed on the Sixth order on the calendar.

Page 2, line 3, remove the overstrike over "~~For taxpayers with federal adjusted gross income of~~"

Page 2, line 3, after "~~fifty~~" insert "seventy-five"

Page 2, line 3, remove the overstrike over "~~thousand dollars or less,~~"

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Renumber accordingly

2021 HOUSE APPROPRIATIONS

HB 1129

2021 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1129
1/29/2021

Relating to the marriage penalty credit and an income tax exclusion for social security benefits; and to provide an effective date.

10:22 Chairman Delzer opening hearing for HB 1129.

Attendance	P/A
Representative Jeff Delzer	P
Representative Keith Kempenich	P
Representative Bert Anderson	P
Representative Larry Bellew	P
Representative Tracy Boe	P
Representative Mike Brandenburg	P
Representative Michael Howe	P
Representative Gary Kreidt	P
Representative Bob Martinson	P
Representative Lisa Meier	P
Representative Alisa Mitskog	P
Representative Corey Mock	P
Representative David Monson	P
Representative Mike Nathe	P
Representative Jon O. Nelson	P
Representative Mark Sanford	P
Representative Mike Schatz	P
Representative Jim Schmidt	P
Representative Randy A. Schobinger	P
Representative Michelle Strinden	P
Representative Don Vigasaa	P

Discussion Topics:

- Provide an income tax exclusion
- Single filer 75 thousand-150 thousand married

10:22 Representative Headland- Introduces the bill

10:27 Representative Bellew-Motion for a DO PASS

10:27 Representative Schmidt SECOND THE MOTION

Roll call vote was taken

Representatives	Vote
Representative Jeff Delzer	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	Y
Representative Tracy Boe	Y
Representative Mike Brandenburg	Y
Representative Michael Howe	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Jim Schmidt	Y
Representative Randy A. Schobinger	Y
Representative Michelle Strinden	Y
Representative Don Vigesaa	Y

10:28 Motion Passed 21-0-0

Representative B. Koppelman will carry the bill

Additional written testimony: No written testimony

10:30 Chairman Delzer Closed the hearing for HB 1129

Risa Berube,

House Appropriations Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1129, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **DO PASS** (21 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1129 was placed on the Eleventh order on the calendar.

2021 SENATE FINANCE AND TAXATION

HB 1129

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1129
3/8/2021

A BILL for an Act to amend and reenact subsection 4 of section 57-38-01.28 and subdivision t of subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to the marriage penalty credit and an income tax exclusion for social security benefits; and to provide an effective date.

Vice Chair Kannianen calls the meeting to order. Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. Chair Bell absent. [10:32]

Discussion Topics:

- Social security income tax.
- Other state's taxation

Representative Bellew [10:32] introduces in favor #7870.

Vice Chair Kannianen adjourns the hearing. [10:38]

Joel Crane, Committee Clerk

HB 1129 Testimony

This bill, if passed, would eliminate State Income Tax on Social Security Benefits.

Before 1984, Social Security benefits were not taxable under the federal personal income tax. In 1983, Congress enacted legislation to tax Social Security, up to half of the Social Security benefits of taxpayers with incomes above certain threshold levels with the proceeds from the tax to be put into the Social Security trust funds. The formula for taxation was written in such a way that few retirees would be affected. The provision was not indexed for inflation. Thus, more retirees pay tax every year. Social Security taxes are strictly a middle-class tax. Most if not all, the other provisions of the federal income tax are indexed to inflation, but not Social Security.

In 1994, the amount taxed was raised to 85% of Social Security benefits.

Currently, 37 states do not tax Social Security benefits.

For decades, seniors have paid into Social Security with their tax dollars. Now, when many seniors are on a fixed income and struggling financially, they are being double taxed because of income taxes on their Social Security. To me, this is just plain wrong. I do not think it is right that seniors receive their Social Security with a bill from the IRS attached.

Seniors have already paid taxes on their Social Security, since Social Security is not pretax. I view ending the taxation on Social Security as a simple idea and the right thing to do. In many cases, by taxing Social Security, we are punishing people who saved for retirement. This is not fair. I consider this a double tax on benefits that seniors have already paid for. I feel that we as Americans already pay too many taxes, federal taxes, state taxes, property taxes, sales taxes and the list goes on.

Taxing Social Security benefits is an unfair double tax. The need our seniors face is even greater this year due to the numerous financial stresses caused by COVID. Repealing this unfair tax will allow more money to be spent in North Dakota and hopefully attract more retirees to North Dakota. I don't think it is right to tax

Social Security, especially now that our nation is reeling from the economic fallout of Covid-19. Let's "kill the double tax".

Madam Chair, members of the Senate Finance and Tax Committee, if I am not mistaken, this is the only bill left that will give back some of the people's tax dollars. I recommend a do pass on this unfair double tax.



House Bill 1129

Exclusion for taxable social security benefits

FAGI* Threshold Exclusion allowed if FAGI is equal to or less than this amount (Single / Married, Joint)	Total Estimated Revenue Reduction	Estimated Additional Revenue Reduction If FAGI* Thresholds Are Increased To Levels Shown
\$50,000 / \$100,000	\$7.3 million	← Current law threshold
\$55,000 / \$110,000	\$8.6 million	\$1.3 million
\$60,000 / \$120,000	\$9.7 million	\$2.4 million
\$65,000 / \$130,000	\$10.8 million	\$3.5 million
\$70,000 / \$140,000	\$11.8 million	\$4.5 million
\$75,000 / \$150,000	\$13.0 million	\$5.7 million
\$80,000 / \$160,000	\$13.9 million	\$6.6 million
\$85,000 / \$170,000	\$14.7 million	\$7.4 million
\$90,000 / \$180,000	\$15.6 million	\$8.3 million
\$95,000 / \$190,000	\$16.5 million	\$9.2 million
\$100,000 / \$200,000	\$17.3 million	\$10.0 million
No threshold (All taxpayers qualify for exclusion)	\$21.7 million	\$14.4 million

*Federal adjusted gross income.

Prepared by Joseph Becker, Office of State Tax Commissioner

Email: jjbecker@nd.gov

Phone: 328-3451

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1129
3/16/2021

A BILL for an Act to amend and reenact subsection 4 of section 57-38-01.28 and subdivision t of subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to the marriage penalty credit and an income tax exclusion for social security benefits; and to provide an effective date.

Chair Bell calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [11:46]

Discussion Topics:

- Fiscal impact
- Double Taxation
- Low income earners

No committee action

Chair Bell adjourns the hearing. [11:57]

Joel Crane, Committee Clerk

2021 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1129
3/24/2021

A BILL for an Act to amend and reenact subsection 4 of section 57-38-01.28 and subdivision t of subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to the marriage penalty credit and an income tax exclusion for social security benefits; and to provide an effective date.

Chair Bell calls the meeting to order. Chair Bell, Vice Chair Kannianen, Senators Meyer, J. Roers, Patten, Piepkorn, Weber are present. [9:19]

Discussion Topics:

- Double taxation
- Budget implication

Senator J. Roers [9:21] moved DO PASS and re-refer to Appropriations **Senator Piepkorn** seconds

Senators	Vote
Senator Jessica Bell	Y
Senator Jordan Kannianen	Y
Senator Scott Meyer	Y
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Jim Roers	Y
Senator Mark Weber	Y

Motion passes 7-0-0

Senator J. Roers carries

Chair Bell adjourns the hearing. [9:17]

Joel Crane, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1129, as engrossed: Finance and Taxation Committee (Sen. Bell, Chairman)
recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee**
(7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1129 was
rereferred to the **Appropriations Committee**.

2021 SENATE APPROPRIATIONS

HB 1129

2021 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1129
4/1/2021
Senate Appropriations Committee

Relating to the marriage penalty credit and an income tax exclusion for social security benefits.

Senator Holmberg opened the hearing at 9:03 AM.

Senators present: **Holmberg, Krebsbach, Wanzek, Bekkedahl, Poolman, Erbele, Dever, Oehlke, Rust, Davison, Hogue, Sorvaag, Mathern, and Heckaman.**

Discussion Topics:

- Reduction percentages for state income tax
- Benefits for people on Social Security

Representative Larry Bellew, District 38 – introduced the bill.

Senator Holmberg closed the hearing at 9:13 AM.

Rose Laning, Committee Clerk

2021 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1129

4/5/2021

Senate Appropriations Committee

A BILL for an Act to amend and reenact subsection 4 of section 57-38-01.28 and subdivision t of subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to the marriage penalty credit and an income tax exclusion for social security benefits; and to provide an effective date.

Chairman Holmberg opened the hearing at 8:20 a.m.

Senators present: Holmberg, Krebsbach, Wanzek, Bekkedahl, Poolman, Erbele, Dever, Oehlke, Rust, Davison, Hogue, Sorvaag, Mathern, and Heckaman.

Discussion Topics:

- Lower class vs high class ND residents

Senator Mathern moved DO NOT PASS

Senator Oehlke seconded the motion

Senators			Senators	
Senator Holmberg	Y		Senator Hogue	N
Senator Krebsbach	Y		Senator Oehlke	Y
Senator Wanzek	Y		Senator Poolman	Y
Senator Bekkedahl	Y		Senator Rust	N
Senator Davison	Y		Senator Sorvaag	Y
Senator Dever	N		Senator Heckaman	Y
Senator Erbele	N		Senator Mathern	Y

Motion Passed 10-4-0

Senator Oehlke will carry the bill

Chairman Holmberg closed the hearing at 8:22 a.m.

Rose Laning, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1129, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO NOT PASS** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1129 was placed on the Fourteenth order on the calendar.