

**2023 HOUSE FINANCE AND TAXATION**

**HB 1425**

# 2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Room JW327E, State Capitol

HB 1425  
1/25/2023

A bill relating to calculation of individual income tax based on general fund revenues.

**Vice Chairman Hagert** opened the hearing at 10:20AM.

**Members present:** Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVillie, and Representative Ista. No members absent.

**Discussion Topics:**

- Revenues and Income tax rates
- General Fund surplus

**Chairman Headland** verbally introduced the bill in support and proposed an amendment to change page 1, line 10, from 25 one-hundredths to 50 one-hundredths.

**Dee Wald, General Counsel with the North Dakota Tax Commissioner's Office,** answered questions from the committee.

**Vice Chairman Hagert** closed the hearing at 10:27AM.

*Mary Brucker, Committee Clerk*

# 2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Room JW327E, State Capitol

HB 1425  
2/15/2023

A bill relating to calculation of individual income tax based on general fund revenues.
---

**Chairman Headland** opened the meeting at 10:43AM.

**Members present:** Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. No members absent.

**Discussion Topics:**

- Proposed amendment
- Committee vote

**Chairman Headland** proposed an amendment on line 10 overstrike “25” and replace with “50.”

**Representative Dockter** moved the amendment on line 10 overstrike “25” and replace with “50.”

**Representative Toman** seconded the motion.

**Casey Orvedal, Law Intern for Legislative Council**, verbally informed the committee of other states and their flat taxes.

**Roll call vote:**

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	N
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	N
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

**Motion carried 12-2-0**

**Representative Dockter moved a Do Pass as Amended.**

**Representative Steiner seconded the motion.**

**Roll call vote:**

<b>Representatives</b>	<b>Vote</b>
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

**Motion carried 14-0-0**

**Representative Grueneich is the bill carrier.**

**Chairman Headland adjourned at 10:53AM.**

*Mary Brucker, Committee Clerk*

23.0942.01001  
Title.02000

Adopted by the House Finance and Taxation  
Committee

February 15, 2023

*DR*  
*191*  
*2-15-23*

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1425

Page 1, line 10, replace "twenty-five" with "fifty"

Renumber accordingly

**REPORT OF STANDING COMMITTEE**

**HB 1425: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1425 was placed on the Sixth order on the calendar.

Page 1, line 10, replace "twenty-five" with "fifty"

Renumber accordingly

**2023 SENATE FINANCE AND TAXATION**

**HB 1425**

# 2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1425  
3/13/2023

Relating to calculation of individual income tax based on general fund revenues.
--

**11:00 AM Chairman Kannianen** opened the hearing.

Senator Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

**Discussion Topics:**

- Income tax bracket structure
- Individual income tax
- Rate reductions
- Revenue trigger

**11:02 AM Representative Headland** introduced HB 1425. No written testimony.

**11:05 AM Bette Grande, CEO at Rough Rider Policy Center,** testified in favor. #24290

**11:05 AM Doug Kellogg, State Projects Director for Americas Tax Reform,** verbally testified in favor.

**11:07 AM Pete Hanebutt, ND Farm Bureau,** verbally testified in favor.

**11:08 AM Timothy Vermeer, Senior Analyst for Tax Foundation,** testified in favor. #24158

**11:13 AM Matt Peyerl, Office of State Tax Commissioner,** verbally testified neutral.

**11:15 AM Chairman Kannianen** adjourned hearing.

*Nathan Liesen, Committee Clerk*



# 2023 SENATE STANDING COMMITTEE MINUTES

**Finance and Taxation Committee**  
Fort Totten Room, State Capitol

HB 1425  
3/21/2023

Relating to calculation of individual income tax based on general fund revenues.
--

**10:42 AM Chairman Kannianen** opened the hearing.

Senator Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

**Discussion Topics:**

- General fund projections
- Proposed amendments
- Committee discussion

**10:43 AM Matt Peyerl, ND Tax Commision**, answered questions.

**10:56 AM Chairman Kannianen** adjourned hearing.

*Nathan Liesen, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1425  
3/21/2023

Relating to calculation of individual income tax based on general fund revenues.

**3:27 PM Chairman Kannianen** opened the meeting.

### Discussion Topics:

- Committee Action

**3:30 PM Senator Patten** moved Do Not Pass

**3:30 PM Senator Magrum** seconded.

Roll call vote

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	Y
Senator Jeffery J. Magrum	Y
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Passed 6-0-0

**Senator Magrum** will carry the bill.

**3:31 PM Chairman Kannianen** closed the meeting.

*Nathan Liesen, Committee Clerk*

**REPORT OF STANDING COMMITTEE**

**HB 1425, as engrossed: Finance and Taxation Committee (Sen. Kannianen, Chairman)**  
recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed HB 1425 was placed on the Fourteenth order on the calendar. This bill  
does not affect workforce development.

**TESTIMONY**

**HB 1425**

Good morning Madam Chair and Members of the Committee,

Of the three individual income tax bills discussed today, HB 1425, is the only bill that does not immediately lower the rate or flatten the current five-bracket structure. HB 1425 would lower all marginal tax rates across the current five-bracket structure, revenue permitting, but the earliest the state would likely see rate reductions would be 2025. Unlike HB 1118 and HB 1158, HB 1425 would not immediately contribute to solving North Dakota's labor force challenge. The potential for a flatter system exists, but it would take until at least 2029 to eliminate even the lowest tax bracket. What HB 1425 does offer, relative to the HB 1118 and HB 1158, is a clear path to eliminating the individual income tax.

As I mentioned earlier, policymakers in many states have contemplated the total repeal of their individual income tax. While doing so may stimulate economic activity in their states, that does not mean it is the right or responsible decision for every state. Having said that, it may end up being the right decision for North Dakota.

First, North Dakota does not rely on the individual income tax to the extent that some states do. In fiscal year 2019, the individual income tax only generated 6.2 percent of the state's total tax collection.<sup>1</sup> Second, the top marginal rate is already low enough that eventual repeal is within sight. The potential challenge is budget sustainability.

The wrong timing or wrong combination of revenue reductions or spending restrictions could make service delivery especially challenging. North Dakota policymakers have wisely avoided inadvertently fashioning unfunded liabilities with past reforms by making incremental changes and assessing the sustainability of future reforms each biennium. The current proposal comes at a time when many economists suggest that a recession is still possible sometime in 2023, which could pose a concern for many states' budgets. While that is not a concern to be dismissed out of hand, we find that to be less

---

<sup>1</sup> <https://taxfoundation.org/publications/facts-and-figures> Facts and Figures, Table 7.

threatening in this case as the state is in a healthy financial position with over \$3.5 billion in savings and surplus expected by the end of the current budget biennium.<sup>2</sup>

The primary advantage of HB 1425 is the incorporation of revenue triggers, which are helpful in setting conditions for responsible rate reductions in the future. Historically, the North Dakota legislature has been hesitant to bind future legislatures to predetermined tax changes, preferring instead to implement reforms in two-year increments. But revenue triggers need not pressure future governments. Well-designed triggers limit the volatility and unpredictability associated with changes to the tax code.

An ideal tax trigger would establish a revenue benchmark that allows the General Fund to grow commensurate with inflation and population growth. If revenue collections exceed the benchmark, then the rate would be automatically reduced in proportion to the surplus. It may be tempting to establish a benchmark using the official revenue estimate rather than actual prior-year revenues, but this approach is risky. If a revenue estimate is mistaken, or if the baseline is lower than usual due to an economic downturn, then the state may inadvertently find itself with unfunded liabilities due to premature tax cuts.

If the intent of the legislature is to craft a bill that addresses individual income tax cuts in the longer-term, we highly recommend incorporating a well-designed revenue trigger into a bill that levies a flat rate on a broad base. A well-designed revenue trigger would responsibly reduce rates in the future and could be the ideal way forward for the legislature.

Thank you again for the opportunity to testify before you today. I'm happy to answer any questions the committee may have.

---

<sup>2</sup> <https://www.kxnet.com/news/state-news/north-dakotas-68th-legislative-assembly-kicks-off/>

*Complaining about a  
problem without proposing a  
solution is called whining.*  
-Teddy Roosevelt



**Bette B. Grande**  
*President & CEO*

---

March 13, 2023

House Bill 1158 HB 1425 - Senate Finance and Taxation Committee

Chairman Kannianen and members of the Senate Finance and Taxation Committee:

My name is Bette Grande and I am CEO of Roughrider Policy Center, thank you for the opportunity to speak to you about HB 1158 and 1425. Moving to the lowest flat tax in the country is the right move for North Dakota. This tax reform will benefit families and small businesses and will help attract and retain the workforce we need for our growing economy.

I served on the Finance and Tax Committee for several sessions and reducing income tax rates was always a priority. Steady progress was made over the years. HB 1158 and 1425 is a strong commitment to the people of North Dakota.

Individuals and small business owners will benefit greatly from a simpler, fairer, and flatter tax code. This is a move in the right direction and will reduce the use of income tax credits that too often amount to picking winners and losers. Eliminating state income tax for 60% of us and having a low 1.5% flat tax for the rest will help families struggling with inflation and help our economy. The majority of businesses in North Dakota are pass-through entities and HB 1158 will help small businesses grow and compete.

North Dakota has a lot to offer with our quality of life, jobs, and economic opportunity. Our population continues to grow and as our people thrive it will put our state in the position to eliminate the personal income tax completely.

When serving on Fin/Tax Committee we often heard about the '3-legged stool' but a lot of states - states we compete with for workers and

businesses – have eliminated personal income taxes. We have a strong business sector and are blessed with natural resources and the tired old 3-legged stool is holding our state back. It is time to stand on two feet and do what is right for the taxpayers in North Dakota by flattening and streamlining our tax laws.

It is never a bad thing when people keep more of their own money.

For Liberty,

A handwritten signature in cursive script that reads "Bette Grande". The signature is written in black ink and is positioned below the text "For Liberty,".

Roughrider Policy Center  
North Dakota's Think Tank  
<https://www.roughriderpolicy.org/>  
[bette@roughriderpolicy.org](mailto:bette@roughriderpolicy.org)