

GOVERNOR DOUG BURGUM TESTIMONY ON HB 1158
JANUARY 11, 2023
HOUSE FINANCE AND TAXATION COMMITTEE
ROOM 327E
REPRESENTATIVE CRAIG HEADLAND, CHAIRMAN

DOUG BURGUM – GOVERNOR OF NORTH DAKOTA

Chairman Headland, members of the committee, for the record, my name is Doug Burgum.

As you know, North Dakota's finances are in very good shape, perhaps the best shape in our state's 133-year history. Our combined reserves are the highest ever. Our general fund revenues are running 23 percent, or over \$700 million, ahead of forecast. Our oil tax revenues are running 60 percent, or over \$1.5 billion, ahead of forecast. We have more than \$8 billion in the Legacy Fund and \$5.7 billion in the Common Schools Trust Fund.

And when the state is doing well, citizens should share in that prosperity – especially when competition for workers is fierce and every advantage helps as we try to attract and retain workers in North Dakota.

To accomplish these dual goals of tax relief and workforce attraction, we support the income tax relief proposed in House Bill 1158 – the largest income tax relief package in state history. This bill will eliminate the state individual income tax for approximately three out of five taxpayers. Those who will still pay income tax will see their liability reduced by roughly one-quarter to one-half, allowing North Dakotans to keep more of their hard-earned money – an estimated \$566 million next biennium – to offset expenses and invest in their families and communities.

Every North Dakota income taxpayer will benefit from this plan, which will make North Dakota the lowest flat-tax state in the nation. Again, this would effectively eliminate the state's individual income tax for nearly 60% of income taxpayers. The rest would pay a flat tax of 1.5%, compared to current income tax rates that range from 2.04% to 2.9%. That translates to a reduction from 26% to 48% in their state income taxes.

This puts us on a path toward eventually zeroing out our individual income tax and joining the eight states that don't have individual income tax. These include some of our nation's fastest-growing states and ones with whom we compete for workers in the

energy industry and other sectors, including Alaska, Texas and Wyoming, and our neighbor South Dakota.

I want to again thank Tax Commissioner Kroshus and Rep. Headland, Sen. Meyer, Sen. Kannianen, Rep. Bosch and Rep. Dockter for their partnership and leadership on this proposal, along with the bill's other co-sponsors, Reps. Grueneich, Hagert and Heinert and Sens. Axtman, Conley, Kirsten Roers and Wanzek.

This plan expands upon the income tax credit package, introduced by Rep. Heinert, which the legislature approved and was signed into law in November of last year.

We also signed legislation, thanks to the leadership of Majority Leader Hogue, that exempts Social Security from state income tax. This will provide an estimated \$14.6 million in much-needed tax relief per biennium to approximately 20,000 North Dakota retirees.

We're grateful to the legislators who supported last year's income tax package to provide meaningful relief to our citizens. The proposal before you now will build upon that relief to allow North Dakota working families to keep more of their paycheck in their pockets as inflation and rising interest rates continue to eat away at family finances.

Now is the right time to provide a meaningful, permanent income tax cut to make our state a more attractive place to work and a more affordable place to live. It's a real reduction in taxes, because it means government collects less revenue.

To show working families that we understand their plight and that tax relief is a priority for this assembly, I urge you to expedite this income tax relief legislation and make it one of the first bills to cross my desk.

Thank you, Mr. Chairman, and members of the House Finance and Taxation Committee.