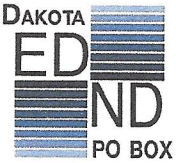
ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA



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Testimony of Connie Ova
Economic Development Association of North Dakota
Interim Political Subdivision Taxation Committee
June 29, 2016

Chairman Dockter and members of the Interim Political Subdivision Taxation Committee, my name is Connie Ova, CEO of the Jamestown/Stutsman Development Corporation and president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to provide our organization's comments on the economic development tax incentives study, and specifically, the automation tax credit and angel fund tax credit.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Our organization is supportive of efforts to demonstrate the value of the state's investment in business support programs to grow and diversify North Dakota's economy. We too want to assure North Dakota taxpayers these investments are a return on their investment.

Economic Development Tax Incentives

The tax credits being evaluated are important tools in supporting entrepreneurship, innovation and start-up companies in the state. These tax credits continue to help meet the need for economic diversification in North Dakota and focus on developing new business in the state.

North Dakota no longer simply competes with other states, but rather on a global scale. Properly structured tax incentives help companies meet the current challenges facing them today. State tax credits have no transaction costs, like with loans, grants or investments, yet economic development is encouraged. It is imperative the state reviews these incentives to ensure we have the best tools at our disposal to compete.

The goal of EDND has remained to stick to the intent of the legislation in evaluating these incentives, which calls for the review of all incentives and the adjustment or enhancement of these incentives according to what would most benefit the state.

EDND is supportive of eliminating the Certified Nonprofit Development Corporation Investment Credit, the Microbusiness Income Tax Credit, and the Wage and Salary Credit, due to the lack of use and limited scope of each. We also support reviewing and extending the incentives that will sunset in 2017, including the Sales Tax Exemption for Wind-Powered Electrical Generating Facilities, the Automation Tax Credit and the Telecommunications Infrastructure Sales Tax Exemption. In addition, we are supportive of

adopting and funding an evaluation tool, such as REMI, and the necessary staff support needed to properly evaluate the remaining economic development tax incentives during future interims.

Automation Tax Credit

The tax credits and incentives under consideration by the committee are valuable to investors and our state. The Automation Tax Credit, which originally came out of the 2009 Interim Workforce Committee, was designed to provide support for North Dakota manufacturing companies that invest in technology for the purpose of automating the manufacturing process. The program has been successful in aiding North Dakota manufacturers in gaining market share and increasing their competitiveness through automation. In the 2015 session, the automation tax credit was amended to require the tax credits to be prorated among the qualifying taxpayers based on their respective qualifying purchases.

Many major manufacturers in North Dakota, including John Deere, Bobcat and Doosan, Baker Boy and Steffes Corporation, have spoken to the importance of the Automation Tax Credit in driving investments in North Dakota facilities to help businesses grow and bring jobs back to the state. However, in the last session, the tax credit allocation was also reduced, limiting the amount of credit available to North Dakota manufacturing companies and lessening the incentive for companies to invest automation dollars in North Dakota. We believe this is an incentive that would provide greater benefit to the state if expanded to the $2 million tax credit amount that was available in the previous biennium.

Angel Funds

Later this afternoon, there will also be a discussion on the Angel Fund investment tax credit. There will be a presentation on a bill draft to repeal the angel fund tax credit as well as a bill draft to modify the credit. We do not support the elimination of this tax credit, as we feel it encourages investment in new businesses in our state, but we do feel discussion on possible changes to the tax credit and input from angel fund managers are necessary as we look to providing the most benefit to the state and investors through this tax incentive.

The tax credits and incentives under consideration by the committee are valuable to investors and our state, and we thank the committee for taking the time to examine these incentives and recognize their value to our state.