

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2058

2001 SENATE FINANCE AND TAXATION

SB 2058

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2058

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/15/01

Tape Number	Side A	Side B	Meter #
I	x		0-14.9
1/17/01 - 2	x		11.1-15.8
Committee Clerk Signature <i>Suzelle N. Kraft</i>			

Minutes:

Senator Urlacher: called the hearing on SB 2058, relating to the collection of delinquent telecommunications carriers tax.

Ron Bertsch: Supervisor of Tax Collection for the State Tax Commissioner, testified in support of the bill. Written testimony attached.

Senator Urlacher: Are the phone calls a requirement?

Ron Bertsch: No, they're not.

Senator Wardner: What would be an example, what types of companies are considered telecommunications carriers, like a 10-10 company that is outside of the state but are doing business in the state?

Ron Bertsch: Yes. Once the business is outside, our collection rate is reduced.

Senator Wardner: How many of these companies are out there?

Ron Bertsch: 618 exactly. 498 out of state.

Senator Stenehjem: How many of the 618 are responsible for the 767 letters?

Ron Bertsch: That's difficult to estimate.

Senator Stenehjem: How many companies were you trying to question internally? How many of these have been delinquent?

Ron Bertsch: At this time, I have 9 that are located out of state. 2, in addition to those 9, we have given up on, considering them non-billable.. Less than 15 in state.

Senator Stenehjem: What kind of money are we talking about the for the 2 non-billables?

Ron Bertsch: A very small amount there because it didn't justify us persuing them for a long period of time.

Senator Stenehjem: Can you give me a ranng of the tax that's due?

Ron Bertsch: I believe those two were less than \$500 each.

Senator Christmann: This is just that 2% gross receipts tax?

Ron Bertsch: Yes.

Senator Christmann: Is the second part still dealing with this telecommunications tax from the delinquent accounts or for all of your tax collection purposes?

Ron Bertsch: That would be for all.

Senator Stenehjem: If you have to send a certified letter, do you charge extra to do that?

Ron Bertsch: No we do not.

Senator Nichols and Ron Bertsch discussed the fiscal note. Meter number 8.8.

Senator Kroeplin: Of the accounts that are turned over to the collection agency, what is the percentage of success?

Ron Bertsch: The collection agency that we are using now, our success rate is close to 40%. That's considered pretty good.

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Senate Finance and Taxation Committee
Bill/Resolution Number 2058
Hearing Date 1/16/01

Senator Urlacher: closed the hearing. Action delayed.

Discussion held 1/17/01. Meter number 11.1-15.8.

COMMITTEE ACTION: 1/17/01

Motion made by Senator Christmann for a DO PASS, Seconded bt Senator Wardner.

Vote was 6 yeas, 0 nays, 0 absent or not voting. Bill carrier was Senator Wardner.

FISCAL NOTE
 Requested by Legislative Council
 12/21/2000

Bill/Resolution No.: SB 2058

Amendment to:

1A. **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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2058 is expected to have a fiscal impact of less than \$5000 during the 2001-03 biennium.

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.*

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	12/15/2000

Date: 1/17/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2058

Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Christmann Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin	✓				
Senator Nichols	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Wardner

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 17, 2001 4:06 p.m.

Module No: SR-07-1165
Carrier: Wardner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2058: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2058 was placed on the Eleventh order on the calendar.

2001 HOUSE FINANCE AND TAXATION

SB 2058

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2058

House Finance and Taxation Committee

Conference Committee

Hearing Date March 14, 2001

Tape Number	Side A	Side B	Meter #
2	X		2,675
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN, Opened the hearing and read the fiscal note.

RON BERTSCH, SUPERVISOR OF COLLECTIONS - STATE TAX DEPARTMENT,

Testified in support of the bill. See written testimony.

REP. WINRICH The language about the mailing of notices on the bottom of page 1, line 24, it also appears on page 3, line 20, says the notices together with affidavits of mailing must be sent by regular mail to the taxpayer, etc., that sounds like you are sending the affidavits of mailing to the taxpayer, is that what is happening here?

RON BERTSCH No sir. As I mentioned, the affidavits of mailing, once notarized that the document had been put in a receptacle, is retained in the file of the taxpayer as evidence, would there be an event that someone was never notified. All individuals in this country are required to maintain a proper mail receptacle.

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House Finance and Taxation Committee
Bill/Resolution Number @B 2058
Hearing Date March 14, 2001

REP. WINRICH It seems to me, you need another sentence there, that says, the mailing will be made, but the affidavit will be kept in your office.

REP. CARLSON You might want to look at that language, it is a little confusing in what it means.

REP. WINRICH The way it sounds, you are sending the affidavit to the taxpayer.

ROB BERTSCH I didn't read it that way, but when you point it out, I see where the confusion exists.

REP. CARLSON Asked Mr. Bertsch to check with Donnita Wald regarding that language.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 3-19-01, TAPE #2, SIDE A, METER #3484

REP. CARLSON Reviewed the bill, read a note from Donnita Wald of the Tax Department which explained the reason for the amendments.

REP. WINRICH Made a motion to adopt Amendment #18072.tax1 as presented.

REP. LLOYD Second the motion. **MOTION CARRIED BY VOICE VOTE.**

REP. WINRICH Made a motion for a **DO PASS AS AMENDED**

REP. GROSZ Second the motion. **MOTION CARRIED**

14 YES 0 NO 1 ABSENT

REP. GROSZ Was given the floor assignment.

Date: 3-19-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2058

House FINANCE & TAXATION Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as amended

Motion Made By Rep. Winrich Seconded By Rep. Grosz

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	A	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 14 No 0

Absent 1

Floor Assignment Rep. Grosz

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2058: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2058 was placed on the Sixth order on the calendar.

Page 1, line 24, remove ", together with affidavits of mailing."

Page 2, line 2, after "the" insert ", The" and remove the overstrike over "~~third notice must be sent~~"

Page 2, line 3, after "address" insert "with a copy of an affidavit of mailing"

Page 3, line 20, remove ", together with affidavits of mailing"

Page 3, line 22, after the first "the" insert ", The" and remove the overstrike over "~~third notice must be sent~~"

Page 3, line 23, after "address" insert "with a copy of an affidavit of mailing"

Renumber accordingly

2001 TESTIMONY

SB 2058

TESTIMONY BEFORE THE
SENATE FINANCE AND TAXATION COMMITTEE
ON SENATE BILL 2058

JANUARY 15, 2001

Chairman Urlacher, members of the Senate Finance and Taxation Committee, my name is Ron Bertsch, Supervisor of Tax Collections for the State Tax Commissioner. I am here today to testify in support of Senate Bill 2058 at the request of the Tax Commissioner.

All of the tax types collected by the State Tax Commissioner, except Telecommunication Carriers Tax, contain the provision which authorizes the Tax Commissioner to assign a delinquent tax liability to a collection agency for collection from a taxpayer not residing or domiciled in this state.

Of the 618 Telecommunication Carrier accounts on record with the Tax Commissioner 498 are located out of state, so based on that ratio the need for the Tax Commissioner to have authorization to assign Telecommunication Carriers Tax to a Collection Agency would appear to exist.

The passage of Senate Bill 2058 would create uniformity, which would simplify collection administration and increase tax collections.

Senate Bill 2058 also replaces the sending of the third notice by Certified Mail with an Affidavit of Mailing. An Affidavit of Mailing is a document signed by the mail room Supervisor verifying that the letter was mailed on a particular day. The document is retained in the taxpayers file. The present law requires that before an account can be assigned to a Collection Agency it must be at least six months old and have received three notices requesting payment. The first two notices to be sent by first class mail and the third notice by Certified Mail. The cost of sending notices by Certified Mail has risen to \$3.40. In the year 2000 postage fees for sending 767 Certified Letters amounted to approximately \$2000.00. If the number of letters sent remain the same the cost for the year 2001 will be approximately \$2600.00 due to the postage increase. The use of Certified Mail was intended to ensure that taxpayers receive at least one notice before the account was assigned to a Collection Agency, but the use of Certified Mail is not a guarantee, because we receive many certified cards back signed by someone other than the taxpayer. The collection process utilized by the Tax Commissioners Office sends not just the three notices required by law in a six month period but as many as nine, plus phone calls, so by the time we are ready to assign an account to a Collection Agency we know if the address is correct. If at any time during the collection pursuit mail is returned all collection action stops until the taxpayer can be located and a new address identified.

The Tax Commissioner is confident that replacing Certified Mail with an Affidavit of Mailing will not prevent the taxpayer from receiving sufficient notice prior to when the account is assigned to a Collection Agency, because of the number of notices mailed and phone calls made.

The Tax Commissioner requests that this Committee give Senate Bill 2058 favorable consideration.

TESTIMONY BEFORE THE
HOUSE FINANCE AND TAXATION COMMITTEE
ON SENATE BILL 2058

March 14, 2001

Chairman Carlson, members of the House Finance and Taxation Committee, my name is Ron Bertsch, Supervisor of Collections for the State Tax Commissioner. I will testify in support of Senate Bill 2058 at the request of the Tax Commissioner.

SB 2058 addresses two issues; it requests authority to assign delinquent Telecommunication Carriers Tax to a collection agency and removes the certified mail requirement when sending the third billing notice to taxpayers residing out of state. I will address Telecommunication Carriers Tax first.

All of the tax types collected by the State Tax Commissioner, except Telecommunication Carriers Tax, contain the provision which authorizes the Tax Commissioner to assign a delinquent tax liability to a collection agency for collection from taxpayers not residing in North Dakota. Of the 618 Telecommunication Carriers Tax accounts on record with the Tax Commissioner 498 are located out of state, so based on that ratio the need for the Tax Commissioner to possess authorization to assign delinquent Telecommunication Carriers Tax to a Collection Agency would appear to exist. The passage of Senate Bill 2058 would create uniformity, which would simplify collection administration and increase tax collections.

Senate Bill 2058 also replaces the sending of notices by first class and certified mail with first class and an affidavit of mailing. An affidavit of mailing is a notarized document verifying that the notice to be mailed was deposited in a postal receptacle on a particular day, and the affidavit is retained in the taxpayers file. The present law requires that before an account can be assigned to a collection agency it must be six months old and have received three notices requesting payment. The first two notices to be sent by first class mail and the third notice by certified mail. The cost of certified mail has increased from \$2.98 to \$3.50. In the year 2000 postage fees for sending 767 certified letters cost the state \$2286.00. If the number of letters sent in 2001 remain the same the cost will increase to \$2685.00.

The use of certified mail was intended to ensure that taxpayers receive at least one notice before the account is assigned to a collection agency, but the use of certified mail is not a guarantee, because we receive many certified receipts back signed by someone other than the taxpayer. The collection process utilized by the Tax Commissioner doesn't send just the three notices required by law in a six month period but sends as many as nine, plus phone calls, so by the time we are ready to assign an account to a collection agency we know if the address is correct. If at any time during the collection pursuit mail is returned address unknown all collection action stops until the taxpayer can be located and a new address identified. The Tax Commissioner is confident that eliminating the use of certified mail will not prevent the taxpayer from receiving sufficient notice prior to assigning the account to a collection agency.

Testimony presented on SB 2064, which addresses reducing postal costs, emphasized that postal cost management is one of the top priorities for the Tax Commissioner for the coming year. SB 2064 was sent to Governor for signature on March 13, 2001.

Passage of SB 2058 would support that priority, with the annual savings of \$2685.00, so the Tax Commissioner requests that this Committee give Senate Bill 2058 favorable consideration.