

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 3M



ROLL NUMBER

DESCRIPTION

2242

2001 SENATE FINANCE AND TAXATION

SB 2242

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2242

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/23/01

Tape Number	Side A	Side B	Meter #
1		x	25-49.8
2	x		8-9
	x		15.7-33.3
Committee Clerk Signature <i>Reynolds, Y. H. Kraft</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2242, relating to an income tax exemption for individuals under thirty years of age.

Senator Mike Polovitz: Introduced the bill, testified in support. Written testimony and articles attached.

Senator Christmann: Did you look into how many people are living here under 30?

Senator Mike Polovitz: No.

Senator Christmann: Average taxpayer pays about \$700?

Senator Mike Polovitz: Yes.

Representative Roxanne Jensen: Co-sponsored the bill. Testified in favor. Feels we need to help the out-migration. This bill would be the first of it's kind, with positive press coverage to persuade some people to come or return to live in ND.

Donnita Wald: ND Tax Dept., neutral. Appeared to propose amendment and explain fiscal note.

Page 2
Senate Finance and Taxation Committee
Bill/Resolution Number 2242
Hearing Date 1/23/01

Senator Nichols: Do you look at what happens if additional young people stay in the state? They will be paying sales tax and money will be generated from their wages going into the economy?

Donnita Wald: No.

Senator Urlacher: Closed the hearing. Action delayed.

Discussions held later. Donnita Wald reappeared to clarify fiscal note. Meter number 8-9 and 15.7-33.3.

AMENDMENT ACTION:

Motion made by Senator Stenehjem, Seconded by Senator Christmann, to move amendment numbered 10302.0100. Voice Vote taken. All in favor, amendment adopted.

COMMITTEE ACTION:

Motion was made by Senator Wardner for a DO NOT PASS AS AMENDED, Seconded by Senator Christmann. Vote was 4 yeas, 2 nays, 0 absent or not voting. Bill carrier was Senator Christmann.

FISCAL NOTE
 Requested by Legislative Council
 01/18/2001

Bill/Resolution No.: SB 2242

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			(\$26,000,000)			
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 2242 creates an income tax exemption for individuals under 30 years of age.

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.*

SB 2242 is expected to reduce state general fund revenues by -\$13,000,000 per year.

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 Department
Phone Number:	328-3402	Date Prepared:	01/22/2001

10302.0100
Title.

Prepared by the Office of State Tax
Commissioner

January 23, 2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2242

Page 1, line 14, after the period insert "The exemption provided by this subdivision does not eliminate any duty to file a return or to report income as required by this chapter."

Page 1, line 24, after the period insert "The exemption provided by this subsection does not eliminate any duty to file a return or to report income as required by this chapter."

Re-number accordingly

Date: 1/23/01
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2242

Senate Finance and Taxation Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass as Amended

Motion Made By Wardner Seconded By Christmann

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

Total (Yes) 4 No 2

Absent 0

Floor Assignment Christmann

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

REPORT OF STANDING COMMITTEE (410)
January 24, 2001 9:34 a.m.

Module No: SR-12-1489
Carrier: Christmann
Insert LC: 10302.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2242: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2242 was placed on the Sixth order on the calendar.

Page 1, line 14, after the period insert "The exemption provided by this subdivision does not eliminate any duty to file a return or to report income as required by this chapter."

Page 1, line 24, after the period insert "The exemption provided by this subsection does not eliminate any duty to file a return or to report income as required by this chapter."

Renumber accordingly

2001 TESTIMONY

SB 2242

1. It is my belief that the greatest threat to the well being and economic growth of this state is the out migration of our young people. We must do everything we possibly can to stop this trend and at least keep what we have. Not only does the state have the lowest growth rate but our school population is down 3,611 from last year.

2. Economic developers across the state realize the problem when they have problems finding qualified workers for their job openings.

3. We have in the past been willing to give huge tax breaks to businesses to come to the state it now only makes sense that we give the same breaks to young people.

4. Farmers and young people in our state are leaving the state at a very quick rate. I would hope eventually by keeping people in the state until the age of thirty that people will stay for the rest of their lives. In return for the short term tax cut we will receive a lifetime of income and sales tax returns.

5. One of the greatest benefits of this bill is that it does not segregate any worker from receiving this refund. This means that whatever job you have, from farming, teaching, carpenters, laborers, salesmen, nurses, ETC.

6. Ronald Alt, a researcher of the Tax Administrators in Washington DC, representing Tax Administration agencies in the fifty states says that "No other state has a tax break targeting young people. It is a new concept and he has never heard of anything like it." Let this legislature be the first to lead the state and the nation in a totally new concept in economic development by investing in our young people.

7. I am proposing the legislature approve bill number _____ to exempt all residents of North Dakota, younger than 30 years of age, from paying the state income tax. This would be accomplished by a refund at the end of every taxable year.

8. Working with the tax department, the fiscal note is estimated to be between 5 and 8 million dollars per year. The reason for the large difference is that there is no age information requested on the state tax form. This is an important piece of information that should be added to future state tax forms. The cost to the the state on average per year will be \$6.5 million or just 4% of our state's income tax receipts. This is a small price to pay for such an important commodity.

To stay or not to stay

■ More grads
will leave
North Dakota

By Wendy Michelle Saure
Central Valley
(N.D.) High School

It's graduation time again, and just like every year, young people are deciding where to go after they toss their graduation caps into the air.



Saure

Will I stay in North Dakota? Will North Dakota accommodate my future career plans? Should I go to college in North Dakota?

Teen-agers across the state have been answering "no" to these questions and choosing to leave North Dakota more and more each year. I interviewed some classmates about the topic and found that most eventually intended to leave North Dakota. A couple said they probably would go to college close to home for a couple of years and then leave North Dakota for more opportunity elsewhere.

Others said they planned to leave right away, to start fresh. I am one who plans to do this.

North Dakota just doesn't provide enough for today's young people who look to broaden their horizons in certain careers. Others I spoke to said they would leave North Dakota because of low pay and other money issues.

So, if more politicians, city authorities and leaders of the state would put more attention and focus on this issue, a lot of good could come to the wonderful state of North Dakota. The population would maybe be on the rise, instead of declining.

Saure, 17, of Reynolds, N.D., has completed her junior year at Central Valley High School near Burton.

The 'doughnut'

Minnesota state demographer Tom Gillaspy said that state grew at about the same rate as the nation. He said the so-called "doughnut" area around the Twin Cities celebrated the most growth.

About half of the growth came from births exceeding deaths, but that number doesn't change much from decade to decade, Gillaspy said.

What kept Minnesota ahead of other Midwest states was the number of people who moved there in recent years. Spending will be higher than this year, but Gillaspy expects that about 250,000 people in the new population migrated from elsewhere.

Historically, the state loses young residents who want to go out and make it on their own, but by their late 20s and early 30s, many move back home to raise families until they reach retirement age and seek warmer climates. But after age 75, Minnesotans tend to move back home again to be closer to family in their final years, Gillaspy said.

Minnesota is expected to keep its eight congressional seats. The state has held eight congressional seats since 1960, after a high of 10 seats in 1910 and 1920.

Page 4C □ Friday, November 17, 2000 □ The Bismarck Tribune

BRIEFLY

Public school enrollment declines

Public school enrollment in North Dakota dropped 3.2 percent this year — more than officials expected.

There are 108,094 K-12 students in the state this year, down 3,611 from last year, said Tom Decker, the school finance director for the state Department of Public Instruction. Initial projections were for a decline of about 2,200 students, he said.

Fewer people living in the state is the reason for the drop, Decker said. The trend is likely to continue, as will school consolidations, he said. Next July, 20 school districts in the state will consolidate into eight larger districts, he said.

The only urban school district to gain students this year is West Fargo, with an increase of 2 percent, Decker said.

Among counties, Adams County in southwestern North Dakota had the biggest decline. Districts there saw enrollment drop by 14 percent.

— Associated Press

Senator suggests tax breaks to help keep youth in N.D.

By Matt Cook

One of North Dakota's rookie legislators has a plan for keeping Generation X in North Dakota. Sen. Mike Polovitz, D-Grand Forks, is working on legislation that would waive North Dakota's income tax for residents younger than 30.

Polovitz, a 74-year-old former mayor of Grand Forks, said he wants to reverse the trend of young people leaving the state. "It's going to be an old man fighting for the young person," he said.

And in a state desperate to keep its young people, the former college music professor's plan may get attention.

"It sounds like a pretty cool idea," said Paul Re-lach, an 18-year-old freshman at the University of Mary in Bismarck.

"The issue is important enough that I'll definitely consider it," said Sen. Linda Christenson, D-Grand Forks, though she said the proposal faces many hurdles.

"An idea often sounds good, but you have to see the bill and see the ramifications," Christenson said.

senits tax administration agencies in the 50 states.

"That's a new one," Alt said of the Polovitz plan. "I have never heard of anything like that."

Outmigration problem

As North Dakota's population continues to age, state officials fear that the flight of young people to larger metropolitan areas for higher-paying jobs will deplete the work force.

"I'm looking at the future of this state," Polovitz said. "It can be done if the legislators put enough importance on keeping their people."

"The biggest problem this state has is the outmigration of people," he said.

The Census Bureau's new state population count, released last month, showed North Dakota with the nation's lowest growth rate from 1990 to 2000. The state had 842,200 residents, up from 638,800 in 1990, an increase of 0.5 percent.

The figures compared unfavorably with neighboring South Dakota (up 8.5 percent), which has no income tax. Montana grew 12.9 percent, Minnesota's population rose 12.4 percent and the Midwest's population generally grew 7.9 percent during the 1990s, the Census Bureau said.

North Dakota's population peaked in 1930 at 680,845 people.

North Dakota is bringing up the rear in state population growth

By Steve Brandt
Star Tribune Staff Writer

Unlike many of his colleagues, U.S. Rep. Earl Pomeroy of North Dakota didn't sweat out Thursday's release of census numbers wondering whether his state would lose a seat in the House. North Dakota hit bottom last year when it lost two seats to one. Nebraska and South Dakota followed in last year's census. Montana in 1990. K's seat in Montana shared by seven states.

But the new state census totals give North Dakota plenty to be concerned about. The state's 2,400-people gain in the 1990s was far better than the slightly bigger loss through 1999 projected by census officials. But the 0.5 percent gain means the state is barely holding its own. Both in percentage growth and

people left North Dakota in the 1990s.

When we're talking about population growth, it's not just about the state as a whole. It's about the counties. Grand Forks County is the only one in North Dakota that grew in the 1990s. Grand Forks County is the only one in North Dakota that grew in the 1990s.

But the battle is harder in some counties. In Grand Forks County, the population is up 12.9 percent. In Grand Forks County, the population is up 12.9 percent.

plans, especially with the mechanism of forming a public labor union to buy a year's worth of jobs.

North Dakota's population is down 15 percent since 1970. The state's population is down 15 percent since 1970. The state's population is down 15 percent since 1970.

North Dakota's population is down 15 percent since 1970. The state's population is down 15 percent since 1970. The state's population is down 15 percent since 1970.

This trend started in the 1930s, said former Slope County Commissioner Al Shaffer. We're sure they'll come back.

North Dakota's population is down 15 percent since 1970. The state's population is down 15 percent since 1970. The state's population is down 15 percent since 1970.

North Dakota's population is down 15 percent since 1970. The state's population is down 15 percent since 1970. The state's population is down 15 percent since 1970.

Pomeroy points to back-office operations established in North Dakota by companies such as RedaStar, Cargill and Aetna as the kind of jobs that can bring natives back. The jobs are in the financial services sector.

Having those types of jobs in the state's bigger cities can prevent people from leaving in the first place. But sometimes nature and the government disrupt those plans.

According to census estimates earlier this year — with actual counts not due to be released until next spring — Grand Forks, battered by flood and fire in 1997 and by the devastating of its air base, suffered the worst drop in population of any metro area in the 1990s. Steve Brandt can be contacted at brandt@startribune.com or 672-673-4688.

"In Fargo-Moorhead and it's probably pretty much the same in Bismarck, we can't find anybody to go to work."

Bill Plech

In the arena of seeking new businesses, the Commerce Interim Committee has drafted legislation for a state venture capital pool that doesn't follow the traditional model. It requires businesses to give the ownership shares in the company.

The National Federation of Independent Business is supporting Gov. John Hoeven's proposed tax credit incentives that would allow entrepreneurs to offer tax credits directly to potential investors.

That's kind of a cornerstone of John Hoeven's campaign, and we got a substantial agreement on that one," NFI State Director, Bill Butcher.

Under-employment and workforce shortages will make workforce development and training an important issue in the coming year, said Bob Plech, executive director of the Fargo-Cass County Economic Development Board.

Finding the labor is really the critical issue for primary sector employers, much more so than any type of property tax or land incentives from the state, he said. A recent under-employment survey in Cass County indicated most people who were under-employed have now moved up to better jobs, he said.

Our state faces a shortage of young people

It's good news that half of the North Dakotans who graduate from college stay in state. It's bad news, too.

It's good news because it means that the investment North Dakota makes in higher education has a significant payoff: an educated workforce and entrepreneurs, young people who can raise families and build communities. North Dakota badly needs those people.

It's bad news because North Dakota needs many more of those people. To the extent that the university system is not sending the preponderance of its graduates out of state, the possibilities for retaining a greater share of college graduates diminishes.

The recent Census report that showed North Dakota with the slowest rate of population growth in the United States was a warning light. North Dakota is aging. Family sizes are down. Outmigration remains high. In both Fargo and Bismarck, there's talk about closing elementary schools. There are fewer children on North Dakota farms today than there are farms.

Absent some change in these trends, North Dakota faces a demographic disaster in which there simply are not enough young people to build and sustain communities.

What might change?

■ We might keep more college graduates through incentive programs — tuition rebates for those who stay. The same incentives might keep some high school graduates who migrate to other states for education.

■ We might attract more young people from out of state to go to col-

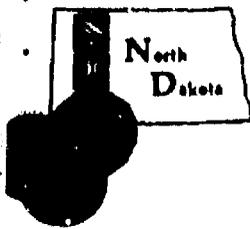
■ We might attract more young people from out of state to go to colleges and universities in North Dakota, in hopes that they will stay. Already, according to the university system's estimate, about a fifth of the people who come to North Dakota to go to school stay to live. Probably, this is heavily influenced by Minnesotans living in Fargo and Grand Forks. The higher education system has floated a number of trial balloons about the possibility of filling the state's system with more out-of-state students, that is selling higher education in North Dakota as a marketable service.

■ We might attract more immigrants. The Asian and Hispanic migration that has heavily influenced much of the United States has not yet had a significant impact on North Dakota. But a thoughtful drive to recruit and settle immigrants could have a big payoff.

As worthy as many of them are, North Dakota's current economic development efforts alone won't do the trick. It's already an article of faith among economic developers that the state's most urgent need is to develop its work force. That is to say, we need more people to do the work.

North Dakota needs more people, and they are not just going to arrive by happenstance. We're going to have to figure out how to get them and then go after them.

— Tim Fought for the Tribune



Department of Public Instruction

600 E Boulevard Ave., Dept. 201, Bismarck, ND 58505-0440
(701) 328-2260 Fax - (701) 328-2461
<http://www.dpi.state.nd.us>

Dr. Wayne G. Sanstead
State Superintendent

December 5, 2000

Welcome to the 57th Legislative Assembly!

Once again, policy issues relating to state and local education will be a key area of bipartisan consideration, deliberation and action in the upcoming session. I want you to know that I intend to make my staff and myself fully available during the legislative session to assist you in any way in your efforts to make important education policy decisions for our state.

While we recognize that North Dakota's elementary and secondary schools have produced excellent results over the years, we clearly face a number of challenges in continuing to maintain a competitive edge. Your leadership in meeting those challenges will be critical so I want to take this opportunity to share with you a few of the major issues I see facing our public schools.

As I wrote two years ago we need to address the negative impact of our declining student populations. Sad to say, this year we've seen a continuing loss of over 3,600 students across the state. Total public school enrollment in 1994 was 118,649. In the fall of 2000 enrollment was 108,094, a decline of 10,555 students. We've seen local districts struggling to meet the needs of our special education population, and confronting the need for repair, or replacement of aging, and possibly even unsafe, school buildings. The Legislature must take action to insure that North Dakota students continue to have access to quality education no matter where they live.

Additionally we need to address the student assessment requirement in the federal Title I program. In order for us to continue to be eligible for Title I funds, the state must have a state assessment plan in place by July 2001. Failure to provide state financial backing for a state assessment program by that time could mean a potential loss of \$40 million federal dollars and thereby result in a loss of over a thousand positions throughout the state.

As the legislative session begins, I look forward to working with you and I pledge the full support of the Department of Public Instruction in your leadership efforts. Please feel free to contact me at (8-4570) any time I can be of personal or professional assistance to you. Further, Tom Decker, my legislative team leader (8-2267) will provide contact assistance to all program areas and staff.

My staff has produced a talking points major trends and critical issues paper which I am enclosing as background material for your use in any public presentations or media interviews. I invite you to visit our expanded website to secure additional educational information.

Best wishes for a most productive and successful session.

Sincerely,

Dr. Wayne G. Sanstead
State Superintendent

Enc: DPI Future Critical Issues document

It is my belief that the greatest threat to the well being and economic growth of this state is the out migration of our young people. We must do everything we possibly can to stop this trend and at least keep what we have. Not only does the state have the lowest growth rate but our school population is down 3,611 from last year. Fewer people are living in the state and the trend is likely to continue. The population of the state is getting older and this also is a trend that is likely to continue.

Economic developers across the state realize the problem when they have problems finding qualified workers for their job openings. "If we don't build our work force, how are we going to create jobs?" If we have an educated workforce to go along with the strong North Dakota work ethic businesses will come. A new business in the state of North Dakota will be able to advertise nationwide to get skilled young people to come to the state. This plan is effective in not only keeping North Dakota's young people in the state but also in attracting young people from across the country. **Lack of workers - need more (MORE FROM CLIPS).**

We have in the past been willing to give huge tax breaks to businesses to come to the state it now only makes sense that we give the same breaks to young people. New businesses have come to the state and due to pressure from business communities have paid workers at a low rate. We have not been able to attract workers by offering big wages so we must find alternatives to keep people in the state.

Farmers and young people in our state are leaving the state at a very quick rate. I would hope eventually by keeping people in the state until the age of thirty that people will stay for the rest of their lives. In return for the short term tax cut we will receive a lifetime of income and sales tax returns.

One of the greatest benefits of this bill is that it does not segregate any worker from receiving this refund. This means that whatever job you have, from farming, teaching, carpenters, laborers, salesmen, nurses, doctors, lawyers, etc., you will be able to receive this exemption. The average person in ND pays about \$700.00 in state income tax each year according to our tax department. Ask yourselves what your pocket book would do with an extra \$700.00 each year.

Ronald Alt, a researcher of the Tax Administrators in Washington DC, representing Tax Administration agencies in the fifty states says that "No other state has a tax break targeting young people. It is a new concept and he has never heard of anything like it." Let this legislature be the first to lead the state and the nation in a totally new concept in economic development by investing in our young people. The bottom line is - put the dollar in their pocket and they will stay and the state will benefit from their brain power.

I am proposing the legislature approve bill number ⁵⁸ 2242 to exempt all residents of North Dakota, younger than 30 years of age, from paying the state income tax. This would be accomplished by a refund at the end of every taxable year. I believe that the income tax refund should end at the age of 30 because people generally have started to establish roots by then.

Working with the tax department, the fiscal note is estimated to be between 5 and 8 million dollars per year. The reason for the large difference is that there is no age information requested on the state tax form. This is an important piece of information that should be added to future state tax forms. The cost to the the state on average per year will be \$6.5 million or just 4% of our state's income tax receipts. This is a small price to pay for such an important commodity.

BUSINESS

Labor pool springs

■ Midwest and South Atlantic labor pool by...

By...

WASHINGTON, D.C. (AP) — A new report from the Census Bureau shows that the labor force in the Midwest and South Atlantic regions is projected to grow significantly faster than in other parts of the country through 2015. The report, which is the latest in a series of population estimates and projections, shows that the labor force in the Midwest and South Atlantic regions is projected to grow by 30 percent through 2015, compared with a 15 percent increase in the rest of the country. The report also shows that the labor force in the Midwest and South Atlantic regions is projected to be 10 percent larger than in the rest of the country by 2015.

The findings

Among the findings of a report that reviewed the latest Census Bureau population estimates from 1980 and projections for 2015:

■ North Dakota's working age population is forecast to

WORK: See Page 12A

ND Democratic-NPL Party

[Return Home](#)

[Press Release - News](#)

[Events](#)

[History](#)

[North Dakota House](#)

[North Dakota Senate](#)

[Contact Us](#)

[What's New](#)

[Statewide Officials](#)

[Website Links](#)

Senator Polovitz Introduces Legislation to Give Tax Break to Young People

January 16, 2001



Sen. Michael Polovitz

Bismarck-- Senator Mike Polovitz, Democrat from Grand Forks, has introduced legislation that will eliminate income taxes for all North Dakotans under the age of thirty. "It is my belief that out-migration of North Dakota's young people is the biggest obstacle facing the state," Senator Polovitz says. The state has experienced the lowest growth rate in the nation and the age of the state's population has continued to increase.

This type of legislation would be the first of its kind in the country. Other states have given tax breaks to elderly but never to the other end of the age spectrum. "I think North Dakota has chance to break some new ground in the area of economic development not just in the state but in the United States"

In the past the state has given huge tax breaks to businesses that come into the state. "It only seems fair now that we are facing a shortage of employees that young people should be given the same kinds of breaks" states Polovitz. North Dakota has a history of helping farmers in the state with tax breaks. "Young people are just as important to the state as farmers and ranchers. We must do our best as a state to keep both farmers and young people a vital part of our economy," Polovitz said. The state produces some of the brightest individuals in the nation at its many colleges and universities. The trend of North Dakota educating young people and then states like Minnesota and Colorado reaping the benefits of the education has been apparent for many years.

The legislation will have an effective date of January 1, 2001. The tax break will be in the form of a tax refund at the end of the year for all those who qualify. The cost of the tax break to the state will be between 5 and 8 million dollars per year or only 4% of the state's income tax receipts. The cost of the legislation may actually be voided by the numerous young people that will set roots in North Dakota. The short term tax break can be made up by a lifetime of income and sales tax returns from individuals staying in the state.

Senator Polovitz represents District 42 in Grand Forks which includes the University of North Dakota. This is Senator Polovitz's first term in the North Dakota legislature. Polovitz represented Grand Forks as its mayor for many

reduction in emissions of carbon dioxide to at least seven percent below 1990 levels and application of carbon permit fees to fuel users in industrial countries. Congress rejected the treaty but it has been suggested that implementation of the key points of the treaty is being attempted through federal regulations. A concern of committee members is that implementation would increase fuel costs in the United States, and these increases would fall particularly hard on farmers, who rely to a large degree on use of fuel in agricultural production.

Used Farm Machinery Sales and Use Tax

The committee considered a bill draft to provide a complete sales and use tax exemption for sales and use of used farm machinery, farm machinery repair parts, and used irrigation equipment used exclusively for agricultural purposes. The bill draft was intended to continue and expand on the sales and use tax rate reduction created by passage of 1999 Senate Bill No. 2217. The 1999 legislation reduced the sales and use tax rate from three percent to 1.5 percent for used farm machinery, farm machinery repair parts, and used irrigation equipment used exclusively for agricultural purposes. The 1999 legislation expires June 30, 2001. The bill draft would provide a complete sales and use tax exemption for these items effective July 1, 2001.

The Tax Department estimated the fiscal effect of the bill draft to be a loss for a biennium of \$8.94 million to the state general fund and \$788,000 to the state aid distribution fund. One additional consideration regarding the fiscal effect is that under NDCC Section 57-39.2-01(3), a trade-in allowance is given for sales tax calculation purposes if the item being traded in will later be subject to sales tax when it is sold. This allowance was available under the reduced 1.5 percent sales tax rate but would not be available when a complete exemption is provided for used farm machinery and irrigation equipment. Some of the revenue loss would be offset by a gain in revenue from the denial of trade-in allowances and this gain was estimated at approximately \$926,000 for 1999 Senate Bill No. 2217. Adding the revenue gain from the denial of trade-in allowances to the overall revenue loss would show a net fiscal effect for the bill draft of a loss of approximately \$8.8 million for a biennium.

Recommendations

The committee recommends a bill to establish a farmers equity trust fund. The bill requires the Industrial Commission to establish the farmers equity trust fund at the Bank of North Dakota. The fund would be capitalized by the sale of bonds by the Industrial Commission, through the Bank of North Dakota. Moneys in the farmers equity trust fund could be used by the Agricultural Products Utilization Commission on behalf of the fund to acquire ownership interests in value-added agricultural projects or for loans to value-added agricultural projects. The bill requires a loan to be secured by ownership interests in the project. The bill allows the Agricultural Products Utilization Commission to establish procedures for applicants to apply for investments and loans and to establish procedures to evaluate applications for investments or loans. The bill allows various tax incentives for purchasing bonds sold to capitalize the farmers equity trust fund. An individual or corporate income taxpayer would be entitled to a credit of 20 percent of the amount invested in bonds. The bill requires the credit to be split between two taxable years and any credit may not exceed 50 percent of the taxpayer's tax liability for the year. The bill requires bonds to be held for three years to claim the income tax credit, to prevent taxpayers from purchasing and selling bonds just to acquire tax credits. The bill provides an individual long-form and short-form income tax credit for investments and a corporate income tax credit for investments. The bill provides that interest income from the bonds is deductible on the corporate return and the individual long-form and short-form returns.

The committee recommends a concurrent resolution urging Congress not to implement or allow implementation of the Kyoto Protocol because of the potentially disastrous impact on American agriculture. The resolution states that impact of the Kyoto Protocol on United States farmers would be devastating because farmers are forced to rely on fuels in agricultural production, and increased fuel costs would aggravate the farm crisis.

The committee recommends a bill to provide a complete sales and use tax exemption for sales and use of used farm machinery, farm machinery repair parts, and used irrigation equipment used exclusively for agricultural purposes. The bill would become effective July 1, 2001.

POLITICS

Under-30 tax break costs more than first advertised

TAX/ Cost could be \$5 million to \$10 million in revenue each year

Continued from Page 4B

It would cost the state \$5 million to \$10 million in revenue each year. He said he had been given an estimate of \$3 million to \$6 million per year, which he adjusted upward.

Polovitz, the Democratic candidate for Senate in District 42, said he reasoned that if people stayed until they were 30, they would be more likely to stay rooted in the state. At the same time, people under 30 would have more money to spend, increasing sales tax revenue and boosting the economy, Polovitz said.

When told of the higher estimate, Polovitz said he was "not going to give up on the idea."

"I've had people say 'bump it up to 35 and I'll come back,'" Polovitz said after riding in the UND Homecoming parade Saturday. He said he had another person tell him to increase it to 55, and they would come back, too.

Polovitz said if too much revenue was lost by forgiving all of the income tax, maybe

part of the tax could be forgiven -- possibly in prorated amounts based on age.

Polovitz, a former UND music professor and Grand Forks mayor, is running for the Legislature in a district dominated by UND and students.

His opponent, Republican Jerry Youngberg, called the tax plan an "interesting proposal" but pointed out what he thought were flaws.

He said North Dakota's income tax already is "not very high" and eliminating it would not be a sufficient incentive. It's even less of an incentive if jobs aren't available, he said.

He also said it may not be good policy because of age discrimination.

No exact data

On the current North Dakota state income tax forms, there is no place for filers to designate their age.

That makes estimating how much revenue would be lost to an age exemption more difficult, Strombeck said.

She said the Tax Depart-

ment's estimate had a "sizeable range" because it required pulling together data from several sources: the Census Bureau, Commerce Department and reports from employers within the state.

Strombeck said she prepared the estimate in July, not knowing what it would be used for.

In a memo dated July 13, she wrote, "With time, it is possible that we could have additional census data that will help us narrow the range and provide a more exact estimate of taxes paid by this segment of the population."

Polovitz said he had discussed his idea with Heidi Heitkamp, the Democratic nominee for governor, and her running mate, Aaron Krauter, but that they had not endorsed the idea.

On Thursday, Heitkamp said she couldn't comment on the plan because she didn't know what it would cost. But she said it was the kind of thinking that North Dakota needs.

"It's a big idea," she said.

By Jeff Beach
Herald Staff Writer

Mike Polovitz's idea of eliminating income tax for North Dakotans under age 30 might cost a little more than he first thought.

The state Tax Department estimates that individuals under age 25 pay \$6 million to \$10 million per year in North Dakota individual income taxes, according to Kathryn Strombeck, a researcher in the Tax Department.

Strombeck said raising the age to 30 would cost about another \$4 million in revenue, for a total of \$10 million to \$15 million in lost revenue.

Last week, Polovitz went public with the idea getting rid of the state income tax for North Dakotans under age 30.

Polovitz told the Herald he estimated

TAX: See Page 4B



Grand Forks Herald

Michael Maidenberg Publisher
Mike Jacobs Editor
Tom Dennis Opinion Editor
Kevin Grinde Managing Editor

"It will be the people's paper, run strictly in their interests, guarding jealously their rights and maintaining boldly their cause."

George Winship, founder

10-3-2000

EDITORIAL

A nod to under-30 tax idea

Although North Dakotans have thought about it for decades, few new ideas have surfaced about how to keep young people in the state. Last week saw one float upward, though.

OUR VIEW

Young people in N.D. need a tax break, Mike Polovitz says — and he may be right.

Let's talk about it, analyze it, debate it — and use it to launch a new round of creative thinking.

Former Grand Forks Mayor Mike Polovitz men-

tioned the idea at a meeting with the Herald's editorial board. What if, said Polovitz (who's now a Democratic candidate for state Senate from Grand Forks) — North Dakotans under age 30 got a tax break, to the extent that many of them wouldn't have to pay income taxes at all?

The benefits would be clear, Polovitz said. The goal, of course, would be to keep young people from fleeing North Dakota to the Twin Cities, Denver or elsewhere, as so many of them do now.

A tax break that let them keep more of their own incomes would be as good as a pay raise. That would counter at least some of the appeal of the other states.

And North Dakota has a better chance of holding onto its 30-year-olds than it does its 20-year-olds. Once children enter the picture when young families get established, North Dakota's safe streets and good schools start looking pretty good.

As for the downsides:

Clearly, the state would lose some amount of tax revenue. Just as clearly, older people would have to pay more to make up for the state's generosity toward the young.

Would taxpayers over 30 be willing to do that?

There might be a Constitutional objection as well. The 14th Amendment promises equal treatment under the law. Could North Dakota single out a group for favorable tax treatment on the basis of age?

Then there are the unintended consequences — the results that take planners by surprise, once people learn about a new law and start pushing the boundaries of it. Would the law work too well, by attracting too many young people who'd need services but wouldn't pay income taxes? And what if they didn't wind up staying beyond age 30 after all?

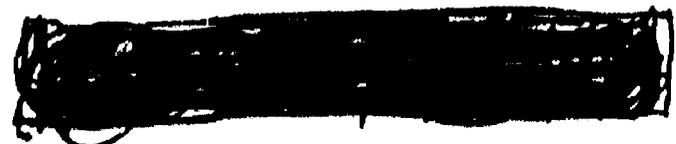
All in all, though, the idea's creative and intriguing, and even deserves cautious support. But that's not the last word on this issue. It's just the first word, and is offered as an invitation for North Dakotans from all walks of life to weigh in. What do you think? Has North Dakota reached the point where young people need financial incentives to stay? What's your view of candidate Polovitz's idea to replace, "Don't trust anyone over 30" with "Don't tax anyone under 30"?

Let the debate begin.

— Tom Dennis for the Herald

N.D. POLITICS

9/20/00



193

Under age 30; no tax

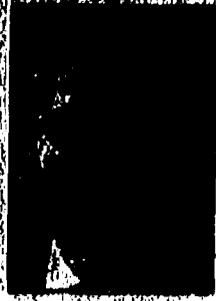
Polovitz plan would keep young adults in N.D.

By Jeff Busch
Herald Staff Writer

Mike Polovitz is proposing a state income tax break for North Dakota younger than age 30.

Polovitz said the age is negotiable, but he figures if you can keep it at 30,

there's a good chance they'll stay for a lot longer.



The Democratic candidate for the North Dakota Senate in District 42 discussed the idea Friday with the Grand Forks Herald editorial board. Polovitz is facing Republican Jerry Youngberg in the Nov. 7 election.

How to stem the population migration out of North Dakota and lure new residents has so far been a problem without a solution.

"It's a shot in the arm to the people that are here," Polovitz said of his plan.

Polovitz said an estimate by the state Tax Department calculates the tax break would cost the state \$3 million to \$5 million in revenue each year.

Polovitz is rounding those figures up to \$5 million to \$10 million each year.

"I don't think you can sell (young people) on the way of life," Polovitz said. "Incentives have got to hit the pock-

FROM

MICHAEL F. POLOVITZ

Former Mayor of Grand Forks, ND
1988-1996

2629 9th Avenue North Telephone: (701) 772-2247
Grand Forks, ND 58203 E-Mail: michael_polovitz@und.nodak.edu

FAX 701-772-9201

TAX

Continued from Page 1A

etbook. He said there are beneficial "spin-offs" to the tax break:

- More children in public schools.
- An incentive for young teachers to stay in state.
- More sales tax revenue. "If you keep them here, they'll spend it here," Polovitz said.

Polovitz is a retired UND music professor who has served as mayor of Grand Forks, and on the Grand Forks City Council and School Board and is on a board for the Garrison Diversion water project.

Managing the Red River Basin was one of several other issues Polovitz touched on Friday. Others include the need to retain teachers, the high cost of prescription drugs and higher education's role in state economic development.

Economic development and keeping young people in the state has been the main issue in this year's governor's race.

Polovitz said he has discussed the idea with Heidi Helkamp, the Democratic candidate for governor, and her running mate, Aaron Krauter, a state senator. Polovitz said they haven't endorsed the idea, which Polovitz admits might sound extreme.

"You've got to take a risk," Polovitz said.

show any
ment for

d Potter
l.

rest of
a

i pardon,
mally or
ditions."

' was in-
ent with
ie condi-
be that
f he pro-
e people
olved in
r Bonnet

to per-
ored for
Allied

if
at
need
dir roles
cam-
g peace

ished
Col.
h Bomb
e B-52s
major
D's ob-

d Press

United
and
Jur Sav-
"mix
ry" seen
for the
vice.

r in
like
any

o
an

S
al re-
nen's
sharon.

TAX/ No other state offers break for young

Continued from Page 1A

Mary in Bismarek.

"The issue is important enough that I'll definitely consider it," said Sen. Linda Christenson, D-Grand Forks, though she said the proposal faces many hurdles.

"An idea often sounds good, but you have to see the bill and see the ramifications," Christenson said.

One of them is its cost to the state treasury, which has not yet been estimated but could be \$10 million or more over two years. Legislators say North Dakota's tight revenue outlook make that kind of loss a difficult sell.

"Even so, I think we should keep who we've got, see if we can keep some of our brain-power," Polovitz said. "Other states are getting the benefit of our great education system."

The average person in North Dakota pays about \$700 in state income tax each year, said Kathryn Strombeck, a Tax Department researcher.

Lost votes

Polovitz believes the income tax break should end at 30, because people generally have started to establish roots by then and are more likely to stay in the state.

He pitched the idea on the campaign trail last fall, but it was not a hit with everyone.

"I really lost some votes in Grand Forks because of this," Polovitz said. "The elderly said, 'If we have to pay income tax, then everyone has to pay income tax.'"

No other state has a tax break targeting young people, although a handful do offer some exemptions for the elderly, said Ronald Alt, a researcher at the Federation of Tax Administrators in Washington, D.C. The organization represents tax administration agencies in the 50 states.

"That's a new one," Alt said of the Polovitz's plan. "I have never heard of anything like that."

As North Dakota's population continues to age, state officials fear that the flight of young people to larger metropolitan areas for higher-paying jobs will deplete the work force.

"I'm looking at the future of this state," Polovitz said. "It can be done if the legislators put enough importance on keeping their people."

"The biggest problem this state has is the outmigration of people," he said.



▲ N.D. Sen. Mike Polovitz, D-Grand Forks, is working on legislation to keep young people in the state with a tax break. At left is Sen. Linda Christenson, D-Grand Forks.

"A tax break would even be beneficial to me, but what we really need is a strong economy. I would rather attack it from the building-the-economy side as opposed to tax breaks."



Michael Grosz
R-Grand Forks

Census figures

The Census Bureau's new state population count, released last month, showed North Dakota with the nation's lowest growth rate from 1990 to 2000. The state had 642,200 residents, up from 638,800 in 1990, an increase of 0.5 percent.

The figures compared unfavorably with neighboring South Dakota (up 8.5 percent), which has no income tax. Montana grew 12.9 percent, Minnesota's population rose 12.4 percent and the Midwest's population generally grew 7.9 percent during the 1990s, the Census Bureau said.

North Dakota's population peaked in 1930, at 680,845 people.

Radach, who is originally from Montana, wants to be a teacher. He said the extra money from an income tax waiver could make the difference.

"North Dakota already pays teachers a little more than Montana, so a little bit more might get me to stay," he said.

Richard Geary, a 23-year-old college student studying math, business and computers, said a few hundred dollars won't keep him in North Dakota. Geary, a senior, said he wants to move to Denver to work in the technology industry.

"Income is so much higher elsewhere," he said. "Money is everything. You can't make it if you don't have money."

UND district

Polovitz and Republican Michael Grosz, both represent District 42, which includes UND and many of the students that would benefit under the plan.

"A tax break would even be beneficial to me, but what we really need is a strong economy," the 24-year-old Grosz said. "I would rather attack it from the building-the-economy side as opposed to tax breaks."

Grosz said many things factor into where a young person decides to live, such as job opportunities, family ties, recreation, and even a town's entertainment offerings.

"North Dakota fights a preconceived notion that it is the great white north, with nothing to do," he said.

Rural North Dakota, which has the greatest problem of losing young people, faces long odds in attracting them, he said.

"I'm from Turtle Lake," Grosz said. "It was a great place to grow up, but for what I'm looking for right now in my career, it just isn't the place to be."

Associated Press

**Public School Enrollment
Projected - 2001-2006**

Year	Projected Enrollment	Change
2001	108,094	-3,121
2002	106,063	-2,031
2003	103,453	-2,630
2004	100,380	-2,853
2005	97,754	-2,826
2006	95,229	-2,525
	Projected Decline	-12,865

Senator proposes no state taxes for those under 30

**District 42's Polovitz hopes to fight
out-state migration with SB 2242**

by Jason Jarombek, Dakota Student Staff Writer

A bill is being introduced in the state legislature by Senator Mike Polovitz to eliminate state income tax for North Dakota residents under 30 years of age.

Polovitz, a former Grand Forks mayor, believes that a state income tax exemption for North Dakota's younger generation is the best way to fight what he sees as a major problem: the out-migration of the state's youth. The bill calls for the end of income tax liability for residents under the age of 30 and will go into effect, if approved, Dec. 31, 2000.

North Dakota residents in this age group represent between \$5 to \$8 million, or approximately 4 percent of the state income tax revenues, which Polovitz says isn't that much. The financial impact of such legislation is something to consider, however Polovitz believes that the potential benefits of more people staying in the state may spur an increase in economy's long and short term future.

"Investing in the young people is economic development," Polovitz said. "I believe money will come back."

A recent report by the North Dakota University System found that 51 percent of its university graduates are staying in the state, yet Polovitz believes this step is one worth taking for North Dakota. The state has experienced the lowest growth rate in the nation, while the average age of the state's residents has continued to increase. Many states have enacted laws to provide tax breaks for senior citizens, but states have yet to enact laws providing benefits for younger generations.

The senate bill, identified SB 2242, will be given a public hearing in front of the Tax and Finance Committee Wednesday, Jan. 24. After its public hearing, SB 2242 will then be voted on in the Senate.

As of yet Polovitz said he has gained very little support for the bill. Polovitz's District 42 counterparts in the House, Amy Kliniske and Mike Grosz have declined to sign the bill, but have indicated they may vote for it. Polovitz said that support from the other Republicans in the legislature has been next to none.

Polovitz said that although he is not sure the bill will pass, there is hope that young people will continue to get behind his ideas.

"What's important," Polovitz said, "is that I plant a seed."

Polovitz said he has a strong belief in the power of the younger generation. The Senator has said that even if the bill doesn't become law, he will continue to fight for the young people as long as he's able to.