

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2202

2007 SENATE FINANCE AND TAXATION

SB 2202

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2202**

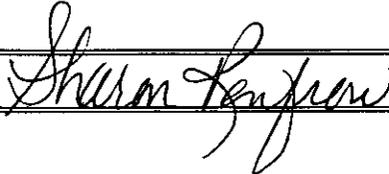
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 30, 2007

Recorder Job Number: # 2314

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee to order and opened the hearing on SB 2202.

Sen. Cook: prime sponsor of the bill appeared in support with handouts on Streamline Sales Tax stating that when you purchase something and the retailer collects the tax from you and remits it to the State, that's called sales tax. If the retailer does not collect the tax from you because you bought it from an out of state retailer, you still owe the tax and that tax is called use tax. SB 2202 simply requires that all of the sales tax dollars, the state sales tax dollars not the local tax dollars that are collected from vendors who register through the central registration system who do not have nexus in ND but they collect them in our sales tax, those dollars would go into, and this bill is called the property tax relief fund, its intended to be there for a future legislature to then address in a manner that would reduce the citizens taxes.

Sen. Tollefson: the volunteer part of it is difficult for me to understand, what advantage is there for them to do that?

Sen. Cook: we thought that they did not want to collect it because they wanted to take advantage of this uneven playing field and have some market advantage because they didn't have to collect the sales tax. I have since found out in my involvement that there are very few

companies out there that feel that way, but there are some. They didn't collect it because it was so complicated which subjects themselves to an audit.

Sen. Horne: help me understand the tax payer relief fund and its purpose?

Sen. Cook: my intent that it goes for tax relief and this particular bill was drafted for property tax relief and I chose that because we are having a lot of conversations about property tax relief this session.

Sen. Triplett: regarding the fiscal note, the 2.5-2.6 million is that the same that's been collected in the last biennium or is somebody making increasing for the next biennium.

Sen. Cook: out of the 31.9 million I referenced I think ND got about 1 ½ million.

Sen. Tollefson: this seems to dwell along the lines of interstate commerce, is the Congress in there anywhere, have they passed legislation affecting this and has Congress acted on these or don't they have to?

Sen. Cook: when the States are sitting at the tables dealing with issues we are always cognizant of Interstate Commerce Laws. The taxes applied at the destination for both interstate and intrastate sales, I don't think we're challenging any of them. My guess is if we did something that conflicted with Congress's laws that somebody would challenge it. Congress isn't going to slap our hands somebody else will.

Sen. Urlacher: isn't it fair to say that Congress is waiting on the action on Stream line sales tax agreements to see how it fits into the overall picture.

Sen. Cook: they are weighing very heavily on the states that have come forward in past legislation to be in full compliance. My understanding is that they really have one issue in over turning Quill vs. ND and that issue is what's called a small business exemption.

Sen. Horne: we are already a part of this stream line sales tax and we've been getting some money from the collection, voluntary payments, but the money has been going into the general fund and you're proposing to put it into property tax relief program?

Sen. Cook: that's correct.

Sen. Anderson: the money that's coming from this, stream line sales tax, why couldn't it go into the same pot and distributed the same way as the other state aid funds are? The state aid distribution.

Sen. Cook: it probably could, it was not my intent.

Sen. Triplett: a lot of what's been done in the past to get our laws in compliance with the agreement was required to sign on basically, but this particular is a voluntary thing, there is nothing requires us as part of the stream line sales tax group to do this, this is just a legislative choice as to where the new money is used, is that correct?

Sen. Cook: that's correct

Sen. Oehlke: this would apply to the 5 1/2 % of the State sales tax or 5 or whatever it is, it doesn't apply to local taxes at all and doesn't get that specific does it?

Sen. Cook: all of the local taxes, the 1%, 2% that are out there continue to be collected by the State of ND and remitted to the local governments.

Bob Frantsvog (?) ND League of Cities (didn't sign in) appeared to answer some questions by the committee.

Sen. Cook: the way I had it wrapped it originally, all of the sales tax went into the relief fund, Connie S. convinced me that the local tax should not go in there and I agreed. Of that 41 million dollars, 4.6 of that goes to local governments.

Closed the hearing.

Sen. Tollefson made a Motion for **DO PASS**, seconded by Sen. Oehlke.

Sen. Horne: If there is concern about all of this going into one depository area like in this case, property tax relief, this can be amended by another legislature sometime down on the road, can it not?

Sen. Cook: yes, it can be changed, voided or amended by future legislation. If it does pass this session it will take whatever is collected and put it in funds, not going to be part of our budget.

Sen. Horne: question on how distributed

Sen. Triplett: made a comment

Roll call vote: 7-0-0 Sen. Cook will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/16/2007

Bill/Resolution No.: SB 2202

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.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | (\$2,576,000) | \$2,576,000 | | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

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

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2202 allocates all sales tax revenue collected through the streamlined sales tax central registration system to the North Dakota taxpayer relief fund.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Current estimates indicate the total revenue received through the streamlined sales tax central registration system will be approx. \$2.8 million in 2007-09 biennium. Under the provisions of this bill, this \$2.8 million will be deposited in the North Dakota taxpayer relief fund. This will result in a decrease in state general fund revenues of approx. \$2.576 million, and a decrease in the state aid distribution fund of approx. \$224,000.

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

| | | | |
|----------------------|----------------------|-----------------------|----------------------------|
| Name: | Kathryn L. Strombeck | Agency: | Office of Tax Commissioner |
| Phone Number: | 328-3402 | Date Prepared: | 01/29/2007 |

REPORT OF STANDING COMMITTEE

SB 2202: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2202 was rereferred to the Appropriations Committee.

2007 SENATE APPROPRIATIONS

SB 2202

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2202

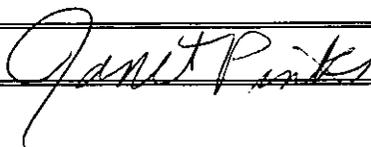
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02/09/07

Recorder Job Number: 3272

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on SB 2202.

Dwight Cook, District 34, Mandan, introduced SB 2202 indicating it takes dollars ND receives from remote sellers who voluntarily sign up to collect sales tax and transfers those dollars into a tax relief fund. He indicated that the 13 states have 1100 sellers that remit the sales tax to those states. The intention is to take that money, put it in a relief fund so the future legislators can give back to the taxpayers.

Senator Bowman asked how this worked and how everyone shares equally. The response was this session it is created and dollars collected during the next biennium will go into it and future legislators will have the opportunity to decide how they will offer the relief.

Senator Mathern asked if the money would still be identifiable with or without this bill. The response was yes.

Chairman Holmberg closed the hearing on SB 2202.

Senator Grindberg moved a do pass, **Senator Bowman** seconded. There was discussion about how the bill works, whether it reduces the ending fund balance. A roll call vote was taken resulting in 8 yes, 5 no, 1 absent. The motion carried and **Senator Cook** will carry the bill.

Date:
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2202

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Grindberg Seconded By Bowman

| Senators | Yes | No | Senators | Yes | No |
|--------------------------------|-----|----|---------------------------|-----|----|
| Senator Ray Holmberg, Chrm | / | | Senator Aaron Krauter | | ✓ |
| Senator Bill Bowman, V Chrm | / | | Senator Elroy N. Lindaas | | ✓ |
| Senator Tony Grindberg, V Chrm | ✓ | | Senator Tim Mathern | | ✓ |
| Senator Randel Christmann | ✓ | | Senator Larry J. Robinson | ✓ | ✓ |
| Senator Tom Fischer | ✓ | | Senator Tom Seymour | ✓ | |
| Senator Ralph L. Kilzer | ✓ | | Senator Harvey Tallackson | | |
| Senator Karen K. Krebsbach | | ✓ | | | |
| Senator Rich Wardner | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 8 No 5

Absent 1

Floor Assignment Cook FinTax

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

REPORT OF STANDING COMMITTEE (410)
February 9, 2007 1:22 p.m.

Module No: SR-28-2752
Carrier: Cook
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2202: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS
(8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). SB 2202 was placed on the
Eleventh order on the calendar.

2007 HOUSE FINANCE AND TAXATION

SB 2202

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2202

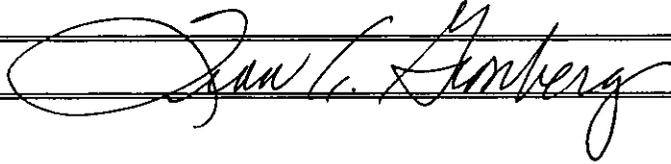
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 2-27-07

Recorder Job Number: 3931

Committee Clerk Signature



Minutes:

Chairman Belter opened the hearing on SB 2202.

Senator Dwight Cook, Dist 34: SB 2202 deals with the streamlined sales tax. This is not a bill that we have to pass to stay in compliance. This is a bill that I introduced to assure that the dollars that ND receives because of remote sellers who voluntarily collect and remit our sales tax, that those dollars go into a special fund for tax relief. I believe that over the years that if we look at all the dollars that the state has not received because of the complexity of the sales tax laws, because we've had to pass a balanced budget, we had to go out and find more dollars from the tax payers of ND to fund the services that we try to provide. And I think that it's only fair then as we start to correct this problem, and start seeing these dollars start to come in, that we don't use these dollars just to expand government, but we use these dollars to give back to the people who have been paying for the government services over all these years because these sales taxes have not been collected. That is the sole intent of SB 2202. If we had this in place last session, we would have \$1.7M in this fund already. The fiscal note on here is a projection of what the state's going to receive in the next biennium - I think it's around \$2.5M.

Rep Weiler: You just mentioned the number that by 2008 it could be 40 to 60M? That's not the money that would go into this fund.

Senator Cook: No, that would not be the money that would go into that fund. That would only be the money that fund if we ever managed to get all of it collected.

Rep Weiler: Page 2, line 2 of the bill says "property tax relief" and I applaud the bill. What would be do with \$2.576M? How can we take that amount and have property tax relief?

Cook: It doesn't have to be property tax relief. The key to me is that it is tax relief. It can complement other dollars that we have.

Rep Wragham: Is there a ND tax relief fund in place now? Or is that another bill?

Cook: SB 2202 creates it. It's not in place now. First thing I need to do is get it out of the budget and then it's dedicated to tax relief and I would see that the next legislative assembly will deal with it.

Rep Pinkerton: I think it's an excellent bill and it should have a do pass on it.

Cook: Being involved in streamline as I have been is gotten me to be exposed all over including the Wall Street Journal. I was happy to be able to tell him that we had legislation coming into the ND legislature to do just that - give it back.

Opposition or neutral

Rep Froseth: I would like some discussion on property tax relief purposes with the emphasis on property. This is a sales tax being collected and this would dedicate it back to property tax relief. I'm not so sure that that's what it should do. Maybe if there is enough money in this fund eventually it should lower the sales tax by .5%.

Rep Pinkerton: (cannot hear his comments)

Rep Vig: Line 8 says only the tax collected by the streamlined sales tax - it's not all sales tax, only the ones that are registered.

Chairman Belter: Yes, that's correct.

Chairman Belter closed the hearing on SB 2202.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2202

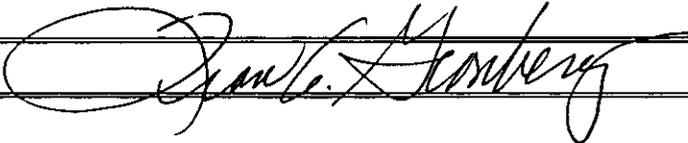
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 2-27-07

Recorder Job Number: 3990

Committee Clerk Signature



Minutes:

Chairman Belter asked the committee to act on SB 2202.

Rep Drovdal moved the amendment (delete the word property on page 2).

Rep Owens seconded the motion

Rep Weiler: I'm going to resist the motion. Although it is a small amount of dollars right out of the chute, the sponsor of the bill wanted it and I also think that the property tax situation that we have I think that any additional money that we can put into property tax relief is going to help us sustain that package and I would rather see it be property tax than just a simple tax relief.

Rep Pinkerton: It seems as a merchant that you are hit twice - sales tax and property tax.
(can't hear all the comments)

Rep Drovdal: With all due respect to Rep. Weiler. I though Sen Cook said he was in support of a tax relief bill as property or other. I would like to not tie the hands of future legislators by restricting it strictly to property tax.

Rep Owens: Partially I am in agreement. I don't want to tie the hands of the legislature.

Rep Headland: If we were to leave it the way it currently was, could it still not be used for any other tax relief purposes? By changing it then do we force it into a conference committee? If you leave it as is, it goes through and the governor can sign it, right?

Chairman Belter: You don't force it. If they accept your amendment, it's a done deal.

Rep Weiler: One advantage to leaving it the way it is, is we could keep it out of conference committee. But it doesn't tie the hands of the next legislative body. Because they can come in and switch this if there is a better reason for it.

Rep Pinkerton (can't hear)

Roll Call Vote on the amendment

(yes) 8 (no) 6 (absent) 0

Rep Wrangham made a Do Pass As Amended motion

Rep Brandenburg seconded the Motion

(yes) 13 (no) 1 (absent) 0

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2202

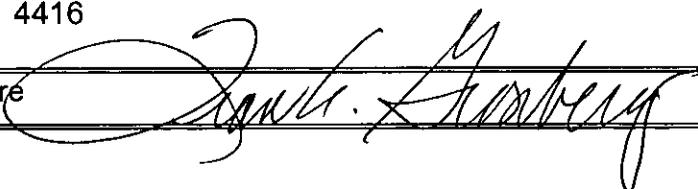
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 3-6-07

Recorder Job Number: 4416

Committee Clerk Signature



Minutes:

Chairman Belter called the committee to order to act on SB 2202. We sent it out with a do pass but it needs to be rereferred to appropriations.

Rep Grande made a motion to reconsider the previous action

Rep Drovdal seconded the motion

The motion passed on a voice vote

Rep Froseth made a Do Not Pass motion

Rep Froelich seconded the motion

Rep Weiler: We just voted yester day for a do pass. I would like an explanation why we would not pass it. We brought it back for reconsideration, and now someone makes a motion to do not pass. I like the idea that the money goes into a tax payer relief fund. If we get money from the streamlined tax, I would rather the money go into a fund for the people than be spent. We have enough money to spend. I'm going to resist the motion.

Rep Wrangham: I supported this bill. It's the best thing I've seen since streamlined sales tax.

Page 2

House Finance and Tax Committee

Bill/Resolution No. SB 2202

Hearing Date: 3-6-07

Rep Owens: Ditto

The Do Not Pass motion failed

(yes) 5 (no) 8 (absent) 1

Rep Weiler made a Do Pass As Amended and be Rereferred to Appropriations

Rep Owens seconded the motion

(yes) 8 (no) 5 (absent) 1

Carrier: Rep Weiler

70099.0101
Title.0200

Adopted by the Finance and Taxation
Committee

February 27, 2007

**House Amendments to SB 2202 (70099.0101) - Finance and Taxation Committee
02/27/2007**

Page 2, line 2, remove "property"

Renumber accordingly

Date: 2-27-07
Roll Call Vote #: 2202

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Amendment - 0200

Motion Made By Drovdal Seconded By Owens

| Representatives | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Belter | ✓ | | Rep. Froelich | ✓ | |
| Vice Chairman Drovdal | ✓ | | Rep. Kelsh | | ✓ |
| Rep. Brandenburg | ✓ | | Rep. Pinkerton | | ✓ |
| Rep. Froseth | ✓ | | Rep. Schmidt | | ✓ |
| Rep. Grande | | ✓ | Rep. Vig | ✓ | |
| Rep. Headland | | ✓ | | | |
| Rep. Owens | ✓ | | | | |
| Rep. Weiler | | ✓ | | | |
| Rep. Wrangham | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 8 No 6

Absent 0

Floor Assignment _____

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

Date: 2-21-07
Roll Call Vote #: 2202

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Pass as Amended

Motion Made By Rep. Wrangham Seconded By Rep. Brandenburg
~~Rep. Pinkerton~~

| Representatives | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Belter | ✓ | | Rep. Froelich | ✓ | |
| Vice Chairman Drovdal | ✓ | | Rep. Kelsh | ✓ | |
| Rep. Brandenburg | ✓ | | Rep. Pinkerton | ✓ | |
| Rep. Froseth | ✓ | | Rep. Schmidt | ✓ | |
| Rep. Grande | ✓ | | Rep. Vig | | ✓ |
| Rep. Headland | ✓ | | | | |
| Rep. Owens | ✓ | | | | |
| Rep. Weiler | ✓ | | | | |
| Rep. Wrangham | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 13 No 1

Absent 0

Floor Assignment Rep. Weiler

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

REPORT OF STANDING COMMITTEE

SB 2202: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2202 was placed on the Sixth order on the calendar.

Page 2, line 2, remove "property"

Renumber accordingly

Date: 3-6-07
Roll Call Vote #: 2202 #1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Not Pass

Motion Made By Rep. Froseth Seconded By Rep. Froelich

| Representatives | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Belter | ✓ | | Rep. Froelich | ✓ | |
| Vice Chairman Drovdal | | ✓ | Rep. Kelsh | | ✓ |
| Rep. Brandenburg | | | Rep. Pinkerton | | ✓ |
| Rep. Froseth | ✓ | | Rep. Schmidt | | ✓ |
| Rep. Grande | | ✓ | Rep. Vig | ✓ | |
| Rep. Headland | ✓ | | | | |
| Rep. Owens | | ✓ | | | |
| Rep. Weiler | | ✓ | | | |
| Rep. Wrangham | | ✓ | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 5 No 8

Absent 1

Floor Assignment _____

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

Failed

Date: 3-6-07
Roll Call Vote #: 2202 #2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

Check here for Conference Committee

Legislative Council Amendment
Number

Action Taken Do Pass ^{AS Amended} + Rerefer to Appropriations

Motion Made By Rep. Weiler Seconded By Rep. Owens

| Representatives | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Belter | | ✓ | Rep. Froelich | ✓ | ✓ |
| Vice Chairman Drovdal | ✓ | | Rep. Kelsh | ✓ | |
| Rep. Brandenburg | | | Rep. Pinkerton | ✓ | |
| Rep. Froseth | | ✓ | Rep. Schmidt | ✓ | |
| Rep. Grande | ✓ | | Rep. Vig | | ✓ |
| Rep. Headland | | ✓ | | | |
| Rep. Owens | ✓ | | | | |
| Rep. Weiler | ✓ | | | | |
| Rep. Wrangham | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep. Weiler

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

REPORT OF STANDING COMMITTEE (410)
March 6, 2007 1:41 p.m.

Module No: HR-42-4560
Carrier: Weller
Insert LC: 70099.0101 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2202: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). SB 2202 was placed on the Sixth order on the calendar.

Page 2, line 2, remove "property"

Renumber accordingly

2007 HOUSE APPROPRIATIONS

SB 2202

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2202

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 3/20/07

Recorder Job Number: 5343

Committee Clerk Signature



Minutes:

Chairman Carlson opened the hearing on Senate Bill 2202

Senator Cook explained the bill. Talking points are on attachment 2202.3.20.07 A

Chairman Carlson: We are not going to debate streamline sales tax just the fund and why you think that money should be set aside and not just rolled into the general fund like any other sales tax is collected. Why do you want this money set aside?

Senator Cook: We have been losing money. We have money that has not been collected because of the fact that our sales tax system is not up to the 21st century where we have people doing commerce out sided of state borders which causes the fact that out of state sellers are not collecting our tax dollars. That has been dollars that for years have not been coming into our accounts. If everybody was legally paying the taxes that we are owed, we would not have had to make up for our lost revenue.

Chairman Carlson: How do we get it back when it is setting in a fund?

Senator Cook: That would be a decision of a future legislature.

Representative Kroeber: Page one line 22, are we talking about the same state aid distribution fund we have now?

Senator Cook: 5% Sales tax is going into the fund and part of that goes to the state aid distribution fund.

Representative Kroeber: So it is only four-tenths of a percent like it is now.

Senator Cook: That is correct. Local taxes still go to local Government.

Chairman Carlson: One could take the argument that being these taxes have not been collected over the years that now because we are getting some of those they should be used in the general fund today to fund general government because we have not received the money in the past. So the opposite side of your argument of putting it aside for tax relief could also be that now that we have gotten it maybe we should be using it.

Senator Cook: Good point. If you believed that we short changed local government because we didn't have this money then you are right. I don't think we short changed government. I think we are going back on taxpayers to fund the government that we want to deliver.

Representative Glasheim: The \$41-64million is that in sales or in anticipated tax collection?

Senator Cook: That is sales tax dollars collected.

Representative Glasheim: That would depend upon enough states agreeing and the federal government allowing it?

Senator Cook: The only way we can start to collect 100% of that money is to number one: every remote seller that is selling into the state of ND says I am going to collect ND sales tax and number two every ND citizen who is buying from out of state and not having the sales tax collected from then all of a sudden say I am going to do what I am supposed to do and pay my use tax or number three streamline of course is up and running, congress had overturned quill and would mandate that every remote seller collects and remits a state sales tax.

Chairman Carlson: That would be internet, catalog and all those type of sales that are not collected today. These are dollars from voluntary submission by retailers that have voluntarily agreed to submit the sales tax in our state.

Representative Skarphol: What would happen if I bought something in Canada or Mexico?

Senator Cook: You would still owe the sales tax.

Representative Skarphol: I would still owe it but there would be no one to collect it.

Senator Cook: Unless they volunteered to collect it.

The hearing was closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2202

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 3/21/07

Recorder Job Number: 5410

Committee Clerk Signature

Amya Voegele

Minutes:

Chairman Carlson opened discussion on Senate Bill 2202.

Chairman Carlson: I was talking to the Tax Chairman. He did not vote for the bill. There was not any consensus of the committee. Here is this pool of money. We have created this streamline sales tax. There is voluntary remittance by retailers. This big committee takes a look at these voluntary remittance and says North Dakota is due \$2.7million because the retailers that are in this voluntary remittance that was the amount of sales that went into your state with your five percent sales tax. It is nothing more than sales tax that is collected. The purpose of the bill was to set up a fund known as the North Dakota Tax Credit Relief Fund. I don't see the reason for it. That is my opinion.

Representative Skarphol: My feeling is that we already have 342 funds in state government. We don't need another one.

A motion was made by Representative Skarphol, seconded by Representative Glasheim for a DO NOT PASS recommendation to the full committee. The committee vote was 8 Yeas, 0 Nays and 0 Absent and Not Voting. The bill will be carried by Representative Carlson.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill No. SB 2202

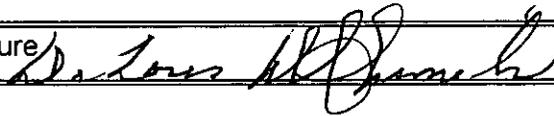
House Appropriations Committee

Check here for Conference Committee

Hearing Date: March 22, 2007

Recorder Job Number: 5428

Committee Clerk Signature



Minutes:

Chairman Svedjan called the committee to order on SB 2202.

Rep. Carlson: We made no amendments to the bill. This bill deals with the dollars collected by the streamline sales tax. Right now a few facts that were brought to us. There are 21 states participating in the streamline sales tax process and there are 1100 volunteer remote sellers. In other words this says if we do any business in your state we will voluntarily collect the tax and we will submit that tax to you. At this point in time there has been about 2.5 million dollars over the last two or three years that has been submitted to us as revenue from sales tax on items that were purchased by North Dakotas either through the internet or through catalog sales. This bill set up another fund; one of our 300 funds, and it was called the taxpayer relief fund and it was available only for appropriation by the legislative assembly for tax relief purposes. It is sales tax and if the number was going to be that small it would take a significant number of biennium before they would have been enough money left in there to provide any kind of significant relief of any type. It came out of the policy committee 8-5 do pass so it was not unanimous there. It came out of our committee; I believe it was 8-0 do not. The money then would go directly into where all the other sales tax goes and that is into the general fund. We recommend a do not pass.

Do Not Pass Motion Made by Rep. Carlson Seconded by Rep. Kroeber

Discussion:

Chairman Svedjan: It is true, if the collections, and the 2.6 that is in this bill that relates to this right now, if that has been collected over a period longer than the last biennium, it represents all the funds that have been collected to date. So it would take a long time to get this up to a point where you could provide any kind of meaningful tax relief. If you were to use with the 116 or 100 that are in 1051 or 2032 respectively it would take many biennium to get up to that point as I see it.

Rep. Aarsvold: How would these dollars contribute to taxpayer relief?

Rep. Carlson: There was no method presented to what they wanted. The only language in the bill was on page 2 said they are available for appropriation by the Legislative Assembly only for tax relief purposes. There was no plan for it. We could not figure out how it would have significant tax relief to our citizen.

Rep. Kroeber: Also when you remove it from the sales tax collection you also reduce distribution to the state aid and distribution fund also by a quarter of a million dollars so this was another thing we considered.

Rep. Glassheim: I certainly oppose the bill. For your information if the Congress ever made the collection of remote sales tax law there could be significantly more dollars flowing in; whether that would be in two years or four years nobody knows. The argument holds that it is simply sales tax that is collected that now we have an uneven playing field between out of state sellers and instate box sellers so it is really just sales tax.

Rep. Carlisle: There are about 300 plus funds and we have not been very successful about getting rid of some of those funds.

Vote: 23 Yes 1 No 0 Absent Carrier: Rep. Carlson

Date: 3/22/07
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2202

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Carlson Seconded By Kroeber

| Representatives | Yes | No | Representatives | Yes | No |
|--------------------------|-----|----|--------------------------|-----|----|
| Chairman Svedjan | ✓ | | | | |
| Vice Chairman Kempenich | ✓ | | | | |
| Representative Wald | ✓ | | Representative Aarsvold | ✓ | |
| Representative Monson | ✓ | | Representative Gulleason | ✓ | |
| Representative Hawken | ✓ | | | | |
| Representative Klein | ✓ | | | | |
| Representative Martinson | ✓ | | | | |
| Representative Carlson | ✓ | | Representative Glasheim | ✓ | |
| Representative Carlisle | ✓ | | Representative Kroeber | ✓ | |
| Representative Skarphol | ✓ | | Representative Williams | ✓ | |
| Representative Thoreson | ✓ | | | | |
| Representative Pollert | ✓ | | Representative Ekstrom | ✓ | |
| Representative Bellew | | ✓ | Representative Kerzman | ✓ | |
| Representative Kreidt | ✓ | | Representative Metcalf | ✓ | |
| Representative Nelson | ✓ | | | | |
| Representative Wieland | ✓ | | | | |

Total (Yes) 23 No 1

Absent 0

Floor Assignment Carlson

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

REPORT OF STANDING COMMITTEE (410)
March 22, 2007 3:56 p.m.

Module No: HR-54-5979
Carrier: Carlson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2202, as amended, Appropriations Committee (Rep. Svedjan, Chairman)
recommends **DO NOT PASS** (23 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING).
SB 2202, as amended, was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2202

Streamlining State and Local Sales Taxes

The Council of State Governments
2006 Annual Meeting
Senator Dwight Cook, President
Streamlined Sales Tax

Introduction and Background:

- 45 states plus District of Columbia impose sales and use taxes
- Over 7,000 local jurisdictions impose sales and use taxes... administered by the state except in AL, CO and LA
- Retailers required to collect and remit sales tax to states where retailer has physical presence
- Use tax is owed by consumer when retailer does not collect the sales tax

Why doesn't seller always collect sales tax?

- For decades, states have sought to require out-of-state retailers to collect their tax
- 1992 Supreme Court decision in *Quill Corp. v. North Dakota* held: requiring collection of tax by out-of-state retailers **with no physical presence** in a state would be burden on interstate commerce and would therefore violate Commerce Clause of U.S. Constitution

Remote sales: What is at stake?

- Compliance with sales tax laws by multi-state corporations is too complex
- Local merchants suffer from lack of level playing field
- Significant losses of revenue expected due to growth in electronic commerce and inability of states to administer use tax with consumers

Remote sales: What is at stake?

- "State and Local Sales Tax Revenue Losses from E-Commerce," July 2004 update to report by Dr. Bill Fox at Univ. of Tennessee: State and local governments lost between **\$15.5 billion and \$16.1 billion** in 2003 as states are unable collect sales taxes from online sales.
- **Trend increases:** By 2008 revenue projected loss for state and local governments range between \$21.5 billion and \$33.7 billion, with the greatest losses occurring in states that rely most heavily on the sales tax as a revenue source.

History of Streamlined Sales Tax Effort

- 1999: National Governors' Association and National Conference of State Legislatures requested tax administrators to assist in addressing sales tax system issues:
 - ◆ Make system less complex
 - ◆ Address unlevel playing field for merchants
 - ◆ Address loss of revenue from states unable to collect taxes already imposed

Who's Involved:

- 44 States, DC and Puerto Rico
 - Legislative Branch
 - Executive Branch
- Local Governments
- Tax Practitioners
- Business community

What makes the system complex? Ask the people trying to comply:

- One level of tax administration per state ...no locally administered sales taxes
- Have one rule that establishes who has the right to tax a transaction
- Do not have so many different tax rates within each state and locality
- Do not have different state and local tax bases
- Work on common definitions of the same term
- Do not make the retailer be the policeman to determine if an exempt sale is valid

Goals of the Streamlined Effort:

- Create a simpler system for administering the various state and local sales taxes
- Where something could not be made more simple, make it uniform
- Balance the interests of a state's sovereignty with the interests of simplicity and uniformity
- Leverage the use of technology to ease tax collection

Results: Streamlined Sales and Use Tax Agreement (SSUTA)

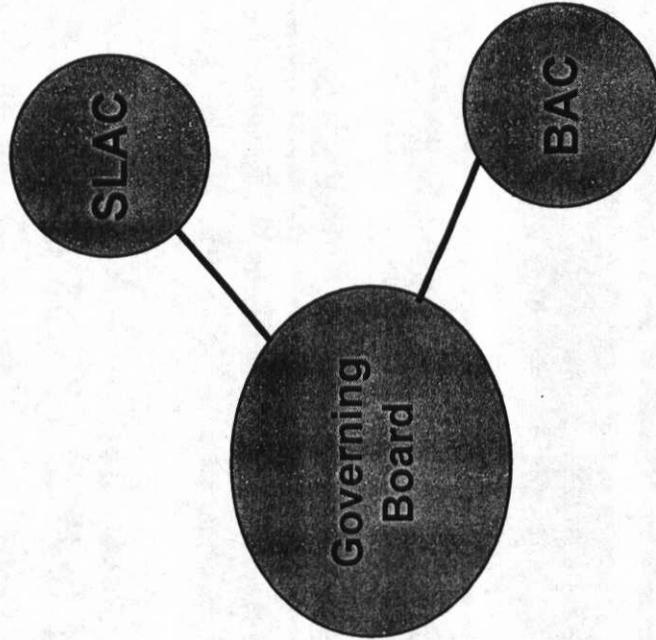
- SSUTA approved November 2002 by the states, and amended since
- Provisions are based on simplification, uniformity and technology principles
 - ◆ Simplification (e.g., state-level administration of tax)
 - ◆ Uniformity (e.g., uniform definition of "lease," lease sourcing rule)
 - ◆ Technology (e.g., certification of tax calculation software)
 - ◆ Balancing interests of state sovereignty

Results: Streamlined Sales and Use Tax Agreement (SSUTA)

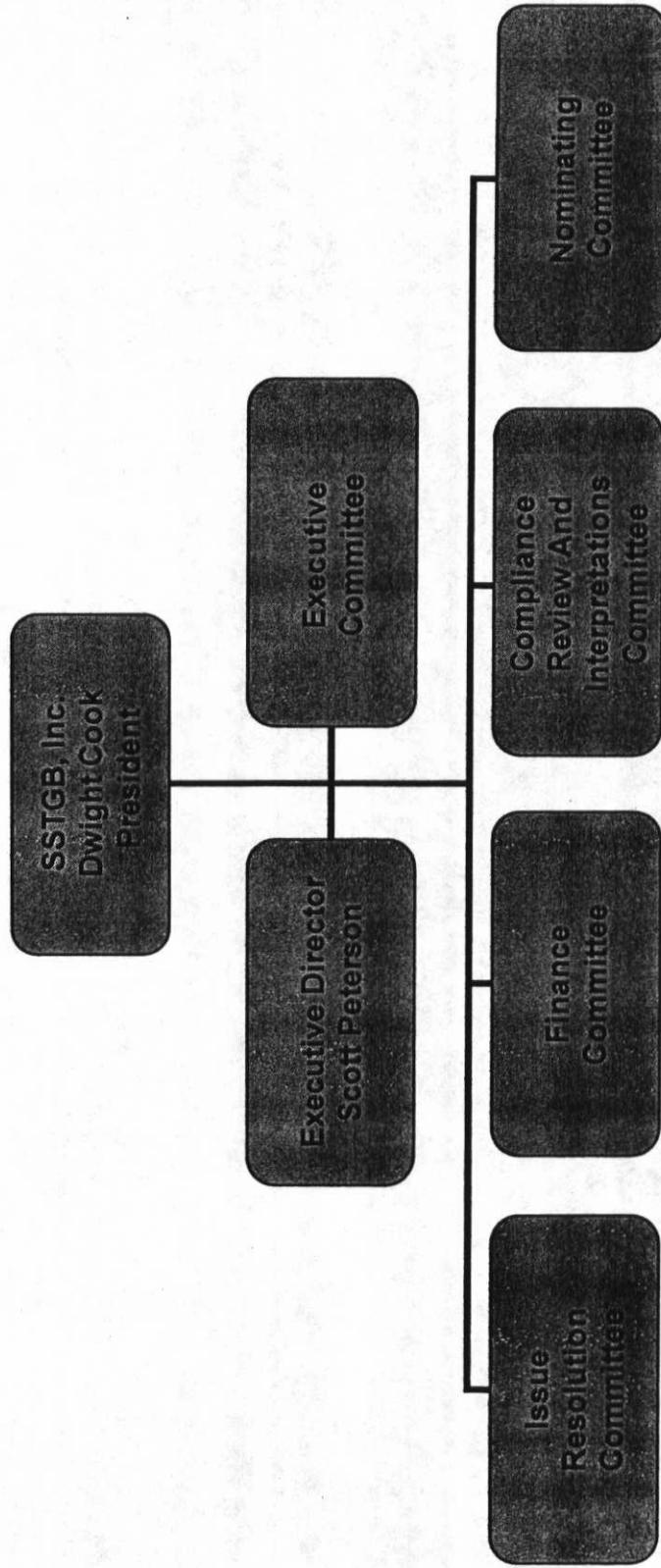
- SSUTA effective October 1, 2005
 - ◆ 13 full member states
 - Full member status:
 - ✓ Full member state has made all changes to statutes and rules to comply with the provisions of the SSUTA
 - ◆ 6 associate member states
 - Associate member status:
 - ✓ Changes to state's statutes, rules, regulations or other authorities necessary for compliance take effect on or before January 1, 2008 or
 - ✓ state has achieved substantial compliance with the terms of the Agreement taken as a whole, but not necessarily each provision as required by Section 805, and there is a reasonable expectation that the state will achieve compliance by January 1, 2008
 - No state may be an Associate Member after December 31, 2007

Governance of SSUTA

- All member states have seat on the Governing Board
- Governing Board formed non-profit entity: Streamlined Sales Tax Governing Board, Inc.
- Governing Board advised by:
 - ◆ State and Local Advisory Council
 - ◆ Business Advisory Council



Governance of SSUTA



Governing Board

- Interpretations of and Amendments to SSUTA
 - ◆ ¾ vote requirement
- Certifies tax technology systems and service providers
- Reviews state compliance with SSUTA
- Implements of Administrative mechanisms
 - ◆ Vendor compensation
 - ◆ Multi-state audit procedures
- Handles dispute resolution

State and Local Advisory Council

- Provides means by which states and local governments not on the Governing Board have input into the process
- Ex officio membership on Governing Board:
 - ◆ Chair – Diane Hardt (WI)
 - ◆ Vice Chair – Marshall Stranburg (FL)
- Develops new definitions and analyzes proposed amendments
- Develops rules and advises on requests for interpretations
- Works with Business Advisory Council (“BAC”)

Business Advisory Council

- Voice of business community members
- Provides input to Governing Board and State and Local Advisory Committee related to administration, interpretation, compliance with and amendments to the agreement
- Members include businesses, associations, and practitioners
- Two ex officio seats on Governing Board
 - ◆ Stephen Kranz, COST
 - ◆ Richard Prem, Amazon.com

SSUTA: Key Features

- State level administration of local sales and use taxes
- Rate simplification
 - ◆ Allows one general state rate per state
 - ◆ Allows second rate on food and drugs, electricity delivered by the seller; rate could be zero
 - ◆ Allows single local rate per jurisdiction
- No caps and thresholds

SSUTA: Key Features

- Common state and local tax bases within a state
- Common tax base for local jurisdictions
- Uniform sourcing rule for goods and services
 - ◆ Destination based
- Uniform sourcing rule for:
 - ◆ Telecommunications
 - ◆ Lease or rental of property
 - ◆ Direct mail

SSUTA: Key Features

Uniform Definitions

- Food and food ingredients
- Prepared food
- Candy
- Soft drinks
- Dietary supplement
- Clothing
- Lease or rental
- Tangible personal property
- Bundled Transaction
- Drugs
- Durable Medical Equipment
- Computer Software
- Prewritten Computer Software
- Delivered Electronically
- Load and Leave
- Sales Price

SSUTA: Key Features

- Uniform treatment of bank holidays
- Uniform rules for sales tax holidays
 - ◆ limited to defined products and within administrative guidelines
- Uniform drop shipment rule
- Uniform rule for bad debt credits

SSUTA: Key Features

- Simplified electronic tax return
- Uniform exemption certificate and simplified exemption processing
- Multiple Points of Use Certificate
 - ◆ For goods and services that can be used concurrently in more than one jurisdiction
- Uniform rounding rule

SSUTA: Key Features

- Central Registration System:
 - ◆ www.sstregister.org/sellers.
 - ◆ Must register for all full member states
 - ◆ May register for associate member states

- When new states are added as full members, sellers receive notice from the Governing Board and automatically become registered to collect taxes in those states

- Must register on Central Registration System to be eligible for AMNESTY

SST Agreement Key Features: Amnesty Provisions

- Sellers who voluntarily register to collect tax receive amnesty against liability for prior sales regardless of nexus
- Not available to any seller that has received an audit notice from a state
- Available from date state joins Governing Board until one year after it has been a full Member State
- Unavailable to sellers who are registered with state during preceding year or who are being audited
- Must remain registered for 36 months
- Sales tax liability only

Amnesty

- Must register for all full Member States
- Unavailable to sellers who are registered with state during preceding year or who are being audited or have received notice of intent to audit
- Expires for current full Member States on October 1, 2006

Technology Implementation

States must provide:

- Database matching tax rates to local jurisdictions
- Database of boundary information for local jurisdictions
- Taxability matrix that identifies whether defined products are exempt or taxable under the state's laws

Technology Implementation

- Certification of sales tax administration software
- Central registration system

Taxability matrix

- A state database that tells sellers what is and what is not taxable.
- To start with, a list of uniformly defined products and services, but will eventually include more.
- Sellers are not liable for errors in how something is taxed if they follow what is in the taxability matrix.

Technology Implementation

- Model 1 Sellers use services of a Certified Service Provider (CSP)
- Model 2 Sellers use a Certified Automated System (CAS)
- Model 3 sellers have an in-house (Proprietary) System

SSTP Technology Model One: The “Certified Service Provider” (CSP)

- CSP is a third party that provides “cradle to grave” tax service that includes liability determination, return filing and tax remittance
- CSP software applications must apply certification standards and must receive approval by the Governing Board
 - ◆ Calculation accuracy standards
 - ◆ Technology standards (e.g., ISO 17799, SAS70)
- Three CSPs have contract with Governing Board:
 - ◆ Avalara
 - ◆ Exactor
 - ◆ Taxware
- Businesses who volunteer to collect tax in state may use CSP’s at no cost – states pay CSP for services to volunteer sellers

CSP - Responsibilities & Liabilities

- Integration of software with seller's order processing system
- Applied data & tax calculations
- Tax liability & statistical reporting
- Funds transfers
- System performance & security

SSTP Technology Model Two: The “Certified Service Provider” (CAS)

- CAS is a third party that provides liability determination tax administration service
- CAS software applications must apply certification standards and must receive approval by the Governing Board
 - ◆ Calculation accuracy standards
 - ◆ Technology standards (e.g., ISO 17799, SAS70)
- One CAS has contract with Governing Board:
 - ◆ Taxware
- Businesses who use CAS pay the CAS for services

CAS - Responsibilities & Liabilities

- Integration of software with seller's order processing system
- Applied data & tax calculations
- Tax liability & statistical reporting
- System performance & security

Central Registration System

- The Streamlined Sales Tax Registration System (SSTR) is a web-based system that enables taxpayers to volunteer to register to participate in Streamlined Sales Tax.
- Taxpayers can use SSTR for both new voluntary registrations and updates to previously submitted registration information.
- This system is a pass-through system in that the states will incorporate the data into their state system.

Central Registration System

- Updates to taxpayer information can be submitted by taxpayers using SSTR.
- SSTR maintains all taxpayer information for specific business processes.
- The SSTR is web based and a relational database is used as a back-end for the storage and retrieval of the data thus providing dynamic information anytime, anywhere.
- An XML file schema is used to exchange data between the SSTR system and the states.

Strategic Goals

- Recruit remote sellers
- Expand legislative leadership
- Recruit additional member states
- Develop organizational structure
- Resolve outstanding compensation issues with Model 2, 3 and 4 sellers

Streamlined Sales Tax

Questions:

Scott.Peterson@taxadmin.org

615-460-9330

41.3 - 64.6 million dollars estimate for 2008

October 1, 2005 – October 1 2006

31.9 million dollars

21 states (6 associate members)

October 1, 2005 to present

1.5 million dollars for North Dakota

1100 volunteer remote sellers collecting and remitting

2 new full member states as of January 1, 2007

Possible 5 new states in 2007

2202.3.20.07 A