

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2258

2007 SENATE FINANCE AND TAXATION

SB 2258

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2258**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: # 1521

Committee Clerk Signature



Minutes:

Sen. Urlacher called the committee to order and opened the hearing on SB 2258.

Sen. Oehlke: prime sponsor of the bill appeared in support with written testimony. (See attached)

Sen. Wardner: appeared as co-sponsor of the bill stating this was good for his community in Dickinson and that ND does need to promote what we have and this allows us to do that.

Sen. Urlacher: so with the governor's appropriation and the permanent tax it would bring it up to about 2% then going into that.

Sen., Wardner: yes the total amount but we wouldn't be taxing; it would come out of general fund dollars.

Sen. Potter: appeared in support with written testimony. (See attached)

Kyle Blanchfield: Resort owner from Devils Lake appeared in support with written testimony.

(See attached)

Sen. Oehlke: do the people coming from out of state feel they are getting a good deal?

Answer: yes

Sen. Triplett: regarding the 2% notion within the governor's budget for the general fund plus what's here, what do you think the lodging industry would think if we amended this bill to say that it was a 2% tax?

Answer: this is one tool that we've used and shown success. Anytime you put more marketing dollars into the mix you going to see a definite increase in activity, it's a straight forward investment.

David Borlaug: Lewis & Clark Fort Mandan Foundation appeared in support with written testimony. (See attached)

Answer to Sen. Triplett's question: the whole issue to us in this industry is that we want to see a minimum of 10 million dollars dedicated to tourism promotion in ND. The governor's budget gets us to 8 with funds that formally were derived from this tax included. This lodging tax will guarantee that level of funding for the biennium and we hope with the sunset removed forever.

Teri Thiel: Executive Director of Dickinson Convention and Visitor's Bureau appeared in support with written testimony.

Rep. Glassheim: Appeared in support stating Grand Forks had some concern with Lewis & Clark uses of this. With this change to out of state marketing we think there will be great opportunities especially with the stronger Canadian dollars will be more opportunities to market all the eastern part of the state as well. I continue to think that ND has great opportunities in marketing and bringing people here from NY and Chicago to see natural beauty, hunting and rural activities and friendliness.

Julie Rygg: of Greater Grand Forks Convention & Visitors Bureau appeared in support with written testimony. (See attached)

Teri Onsgard: Director of Sales for Fargo-Moorhead Convention & Visitors Bureau appeared in support with written testimony. (See attached)

Sen. Anderson: Do all sights get a share in the 1%?

Answer: the 1% lodging tax does get allocated to the division of tourism and they have to research, the results of the research is proven so it is up to them how they market the state with that 1% lodging tax. The 1% lodging tax is really valuable because it has potential of increasing significantly in relation to how many visitors we bring in. It's a really good mechanism for tracking and expanding the tourism marketing budget, we can exceed the expectation with the lodging tax.

Sen. Anderson: each of your destinations and what exactly would those be?

Answer: 28 CVB's throughout the state so any organization that's funded through a lodging tax on a local level for destination marketing is a member of the Destination Marketing Association so its those convention bureaus.

Bill Shalhoob: Chairman of the Tourism Alliance Partnership appeared in support with written testimony. (See attached)

Answer to Sen. Anderson's question. The way the tourism business is conducted currently there is not an individual grant program for individual tourism things. There is a vehicle in this Legislative session HB 1027, which has a tourism grant program attached to that.

Sen. Triplett: Some of the money that supports tourism comes from the general fund and there is about 3 million dollars in the governors budget this time around for tourism spending out of the general fund, my question is would it make sense to you from your perspective that in addition to this bill that we consider amending it to change the lodging tax to 2% and spend less out of general fund?

Answer: the governor's budget recommends 8.3. The last biennium was funded at roughly tourism including this tax in the general fund was funded at roughly 8.2 million dollars. The governor's recommendation on the current budget is 8.3 million dollars of general fund spending. The governor in one of his footnotes recommends that this tax sunset.

Sen. Triplett: does it make more sense to you from your position in the industry to have a larger share of it come from the lodging tax and a lesser share of it come from the general fund or are you satisfied with the 1% being the right level for the lodging tax?

Answer: in my mind all of it should come from the general fund. ND should use general fund dollars to market ND.

Sen. Triplett: Even if you have to come back every session to request for it?

Answer: yes, I think we all do anyways.

Sen. Urlacher: so looking at the long term and short term, this would lock this 1% in and the future governors or future legislators could have the flexibility of increasing beyond what we're talking about. Are you comfortable with that foresight in handling it the way it's being proposed?

Answer: we don't know how appropriations will turn out.

Sen. Tollefson: would 2% vs. the 1% lodging tax would that be a deterrent to travelers coming through ND do you think?

Answer: I'm not standing here in favor of more taxes; I feel it's a fairness issue.

Sen. Tollefson: the local promotion, local effort could be in place, my concern is that it's a situation where it will or could change every 2 years with the state legislature.

Sen. Horne: I was a little surprised to hear you say you'd rather have it all come from the general fund as opposed to this or even increasing it. I think that there would be more comfort have a 1 or 2% lodging tax dedicated toward tourism promotion as opposed to risking the

whims of the general assembly. Does this mean that there are those in your industry that don't want this tax or would not like a 1 or 2% tax?

Answer: that's correct. A 1 cent a can marketing thing, number of vends they do, 1 cent out of every their cost because it works.

Nicki Weissman: Executive Direct of ND Hospitality Association appeared in opposition with written testimony. (See attached) Representing the restaurants, the bars and the hotels in the State of ND.

Sen. Cook: you say you have 350 members who are engaged in the hospitality industry, the vast majority of your membership that is in the lodging industry, they are opposed to this?

Answer: the people I polled, yes.

Sen. Oehlke: people staying the hotels are the ones paying the tax, so it's not coming directly out of your pocket; they just have to process it.

Answer: they have to have staff that know how to do it, so they are paying someone to do it.

Lori Olson: General Mgr of Best Western Kelly Inn of Minot appeared in opposition with written testimony. (See attached)

Sen. Cook: You've got 5% State, 2% CVB's, 2% City tax and 1% to All Seasons Arena and then 1% lodging tax. Local CVB's have somewhere maybe in legislation or laws that allows them to put a tax on the hotel industry?

Answer: that was a city decision and comes under home rule.

Bob Frantsvog: ND league of Cities, comment was made that the taxes imposed by the cities, the local political subdivisions that are vehicles to impose a tax but the city of Minot did not impose the tax. The local CVB's go out to their members and garnish support than come to the political subdivision would you have imposed on our behalf. So it's a tax that's imposed

by the city but rather we're nothing more than a vehicle for that forum posing a tax. In Minot, we actually do do the collections of the local tax rather than contract with the state.

Sen. Cook: the City of Minot collects the CVB tax, but you do not collect the city or the lodging tax, is that correct?

Answer: we collect the local CVB tax and the 1% that's used for in our case the All Seasons Arena for the maintenance. We actually do the collection for the local CVB at no charge.

Sen. Oehlke: Would you rather pay out this promotional out of your own individual pocket or would you rather have someone from out of state help pick up the tab?

Answer: obviously I would like somebody from out of state but from my stand point I'd prefer it come out of the general fund.

Sen. Oehlke: and when it comes out of the general fund, that's my point, it's coming out of your individual. Tax pocket because we all pay income taxes and so if anything comes out of the general fund it is out of your pocket, that's why I asked that question.

Blaine Braunberger: Tax Dept. to answer questions of Sen. Cook.

Sen. Cook: first off, a hotel in Minot or any other place can have one line item on their bill, that's allowable? Yes, as long as they are accounting for the appropriate taxes whether it's a state or local tax.

Sen. Cook: do you know how many local governments we have collecting sales tax?

Answer: right now I believe it's between 110 to 120 in that area.

Sen. Cook: actually having the customer remit the sales tax to the local government rather than to the state as I just heard we are doing here. I know we have 110 local taxing jurisdictions for sales tax but we in the City of Minot now a CVB tax that the city is actually collecting, its not being remitted to the state, how many of those situations do we have?

Answer: I'm not sure totally, they are in the minority, the cities that actually administer city lodging tax and they appropriate it out for various uses.

Sen. Cook: is the State collecting some of this other local tax on behalf of local govts?

Answer: Yes

Sen. Cook: how many are doing it on their own and how many are you doing it for?

Answer: I can provide that information to the committee.

Closed the hearing.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2258**

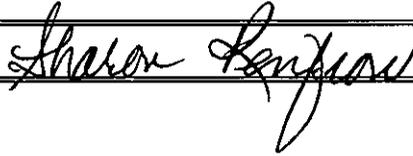
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 23, 2007

Recorder Job Number: # 1693

Committee Clerk Signature



Minutes:

Sen. Urlacher: called the committee to order for discussion and action on SB 2258.

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

Sen. Anderson: it shows a fiscal note but doesn't really have any fiscal effect general fund wise.

Sen. Urlacher: the Governor has it in his budget for the same amount, so wouldn't this be doubling up?

Sen. Cook: the Governor has it in his budget, he was assuming that the sunset would truly set, I personally believe that we certainly have to advertise our state, I think we certainly need to spend money in tourism to do just that, I can't support the do pass motion, I think it should be paid for out of the general fund.

Sen. Urlacher: I think testimony indicated that they preferred it to come out of the general fund.

Sen. Triplett: I think it's a very modest request. Bringing money from people who come from out of state, it's a way of reducing tax burden on our own people, as much as I appreciate your notion about, lets be friendly to everybody else and treat outsiders as our own, the fact is that other states don't do that and when we go to other states we pay their lodging tax and I don't

think there's anything wrong with asking our out-of-state visitors to pay a tiny little bit of lodging tax for the time their here and it is a way of protecting the general fund a little bit.

Sen. Cook: I have to agree, the speaker referred to this tax as a burden probably was misinformed, I don't think this tax will be a burden on her is a fact that that town she's from, Minot, also has a 2% CVB tax and a 1% All Season's Arena tax that she has to collect, that's what is the burden is her collecting it.

Sen. Urlacher: the 1% does bring in that out of state money through the general fund, I know there's other entities that are benefiting from it.

Sen. Tollefson: I do agree that if we're going to continue with this type of situation for tourism, it should be funded through the general fund, that's where it belongs.

Sen. Horne: for one, having out of state folks pay it and secondly it provides some kind of base for the tourism promotion, and the state budget get be audited every biennium and this should be more of a comforting level of funding.

Sen. Cook: in reference of the sunset, ND introduced their 1st sales tax law in 1935; it was sunsetted to come off in 2 years. 2 years later they reissued it and sunsetted it again. Our first sales tax laws were sunsetted for 30 years before we finally took the sunset off and here we're doing it the next year.

Sen. Anderson: I think in this case we're getting out of state money to help this tourism cause and I do support it. There are reservations in my district about not getting their share in the pie. I'm afraid if we leave it in the general fund we're not going to get as much in as we should.

Sen. Oehlke: if it's just in the governor's budget, then if things don't go well it's like we can't do anything about it's that governor's budget, etc. They take that 1% personally and we saw that yesterday, it's like it's their money but it's not.

Vote: 5-2-0 Sen. Triplett to carry.

FISCAL NOTE
Requested by Legislative Council
01/17/2007

Bill/Resolution No.: SB 2258

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			\$3,042,000			
Expenditures						
Appropriations			\$3,041,511			

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 2258 removes the sunset on the statewide 1% lodging gross receipts tax.

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.*

If enacted, SB 2258 is expected to increase state general fund revenues by approximately \$3.042 million in the 2007-09 biennium.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, 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.*

Section 4 of SB 2258 contains an appropriation that is consistent with the expected revenues from the continuation of the lodging tax.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/19/2007

REPORT OF STANDING COMMITTEE

SB 2258: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2258 was rereferred to the Appropriations Committee.

2007 SENATE APPROPRIATIONS

SB 2253

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2258

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 01-30-07

Recorder Job Number:

Committee Clerk Signature

Alice DeLor

Minutes:

Chairman Holmberg opened the hearing on SB 2258 at 10:30 am on January 30, 2007 relating to making permanent the lodging gross receipts tax; to provide an appropriation; and to provide an effective date.

Bill Shalhoob, Chairman of Tourism Alliance Partnership (TAP) presented written testimony (1) and gave oral testimony in support of SB 2258. Together with his written testimony was written testimony in support of the bill. They are as follows:

1. Marketing North Dakota (Information regarding tourism industry in nearby states).
2. Randy Hatzenbuhler representing Theodore Roosevelt Medora Foundation.
3. Fargo-Moorhead Convention and Visitors Bureau.
4. Greater Grand Forks Convention and Visitor Bureau.
5. Kyle Blanchfield, Woodland Resort, Devils Lake, ND
6. Connie Krapp, Pingree, ND

Chairman Holmberg reported he had not seen the Tourism budget as of date and had questions regarding the outcome of income if that bill passes and made comments concerning the Tourism Industry, where visitors go or where do they spend their money.

Senator Kilzer made comments concerning the Sunset Clause in this bill, reminding him that this is suppose to be over as it was instigated during the Lewis and Clark promotion. He

stated that it reflects poorly on the credibility of the Legislature If we take a temporary tax and make it permanent.

Terri Thiel, Executive Director of the Dickinson Convention and Visitors Bureau

presented written testimony (2) and oral testimony in support of this bill. The implementation of the state-wide 1% lodging tax in 2003 gave the North Dakota Tourism Division an opportunity to invest in marketing media that had never been available in prior years.

Chairman Holmberg asked how does one argue when the charge made, why would you continue a tax that would have been gone and what percentage of this tax is paid by out of state visitors.

Senator Potter, District 35, Bismarck, ND presented written testimony (3) and oral testimony in support of the bill. He testified that the tax did work, it didn't hurt hotel occupancy and there is no broad outcry against paying the tax, just a little against collecting it. He called this tax a test of a concept.

David Borlaug, President of the Lewis and Clark Fort Mandan Foundation presented written testimony (4) and verbal testimony in support of this bill. He stated the Foundation operates the Lewis and Clark Interpretive Center and fort Mandan at Washburn, and also now manage the day to day operations of the Western 4-H Camp, in partnership with NDSU Extension and the Western 4-H Camp Association,. He also represents the Tourism Alliance Partnership. He stated that he has checked with AAA and found we are the least expensive state to visit. He referred to the 1935 Legislature, which instigated the first state sales tax with a Sunset Clause, and that tax did not become permanent until 1960. This tax gives you flexibility to continue.

Chairman Holmberg stated everyone of the members from 1935 are not serving any longer and asked Mr. Borlaug to characterize the tax increase and why.

Robert Verke, Bismarck, ND gave oral testimony in opposition to the bill. He is now retired, but while he was working as a Telephone Utility Engineer he worked mostly in the Rolla, Bottenau and Langdon area and had to stay at hotels. He stated he is one of the 50% who feels this tax is unfair because tourism is supported in other bills.

Robert Harms, Lobbyist for the North Dakota Hospitality Association presented written testimony (5) and gave oral testimony in opposition to SB 2258. He opposes this tax for the following reasons:

1. When the 1% sales tax was proposed in 2003 it was described as advertising dollars necessary for the promotion of the Lewis and Clark Bi-centennial and that it was going to be a temporary tax on our industry. That event is now over.
2. The bill is not necessary.
3. SB 2258 amounts to a tax increase on a single industry when there is no rationale offered for such an increase.

He feels a new tax should not be imposed when general revenues are budgeted to meet the needs of the Tourism Division.

Senator Seymour asked if this an actual tax on the industry or on the people who stay in the motels.

Duane Sand gave oral testimony in opposition to the bill.

Eliot Glasshiem, District 18, Grand Forks gave oral testimony in support of the bill.

Senator Krebsbach had questions regarding Mr. Shalhoob's testimony.

Sheila Peterson, OMB explained the way the tax structure is collected.

Chairman Holmberg closed the hearing on SB 2258.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2258

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02/08/07

Recorder Job Number: 3182

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on SB 2258 reviewing the purpose of SB 2258..

Senator Wardner moved a DO PASS on SBY 2258, Senator Robinson seconded. Discussion followed. A roll call vote was taken resulting in 7 yes, 7no, 0 absent. The vote ended in a tie.

Senator Krebsbach moved sending the bill without committee recommendation,

Senator Grindberg seconded. A roll call vote was taken resulting in 12 yes, 2 no, 0 absent. The bill passed. **Senator Triplet of Finance and Tax** will carry the bill.

Chairman Holmberg closed the hearing on SB 2258.

Date: 2/8/07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2258

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Wardner Seconded By Robinson

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) 7 No 7

Absent _____

Floor Assignment Fin tax

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

Without Comm Rec

Date: 2/8/07
 Roll Call Vote #: 2

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2258

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Without Rec

Motion Made By Krebsbach Seconded By Grindberg

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) 12 No 2

Absent 0

Floor Assignment Triplet Fin tax

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

REPORT OF STANDING COMMITTEE (410)
February 8, 2007 12:57 p.m.

Module No: SR-27-2524
Carrier: Triplett
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2258: Appropriations Committee (Sen. Holmberg, Chairman) recommends BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2258 was placed on the Eleventh order on the calendar.

2007 HOUSE FINANCE AND TAXATION

SB 2278

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2258

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 2-27-07

Recorder Job Number: 3927

Committee Clerk Signature



Minutes:

Chairman Belter called the committee back to order and opened the hearing on SB 2258.

Senator Dave Oehlke, Dist 15: I am here to support the lodging tax bill. You created a 1% tax bill that had a sunset on it. The tax was dedicated to promoting Lewis and Clark. The idea of this bill is to take the sunset off of the 1% lodging tax and allow it to apply to advertising and tourism. All areas of tourism would be included, not just Lewis and Clark. Some people will say that they don't like the 1% tax because it's a real burden. However, they really aren't accounting for the help the advertising has been in bringing people to their facilities.

Rep Drovdal: Four years ago when we passed this bill I carried it to the floor of the house. In my presentation the sales pitch was the sunset clause and the money raised would be worthy enough so that it would be funded out of the general fund. That seems to have happened because the governor has helped the tourism budget out of the general fund. How am I going to go back when we sold it because it had a sunset clause.

Sen Oehlke: You did a great job in selling it last time. I've found that sometimes things we've said just a couple of days ago are not quite accurate. This tax has done such grand things - maybe the last four years was just a test instead of a sunset and now that we know what it can

do , we ought to go for it. I know that advertising dollars are moving targets, but at the same time you cannot be in the tourism or any business without advertising your product.

Rep Drovdal: I understand that the tourism budget is in the governor's budget and it is funded already - the advertising dollars are already going to be there.

Sen Oehlke: That's true. The problem is that there need to be more.

Rep Kelsh: Do you have any numbers on how many visitors the Lewis and Clark advertising budget brought in. (he did not have the information)

Senator Rich Wardner, Dist 37: One of the arguments is that it was a four year bill and then it was over. I don't look at that way. It's a four year bill and then we'll take a look at it and see if it did what it was supposed to do. Nothing is for sure around here. Even though the governor did put it in the budget, I believe that the House stripped it out of the budget, and I imagine because of this bill. But if you want to make sure your funding is going to be there, it's a good thing to lock it in with a little insurance. That's what this bill does. I provides the tourism department with dollars to make sure it can promote the state.

Rep Drovdal: One of the comments the governor made in the state of the state address, was no new taxes. Have you visited with the governor to see if he sees this as a new tax?

Senator Wardner: No, I haven't. But as you know we are the policy making branch.

Rep Nancy Johnson, Dist 37: Support SB 2258. We are here to ask you to remove the sunset clause and allow a proven method of marketing to continue to increase tourism in ND. Tourism needs a dedicated source of funding.

Bill Shalhoob, Chairman, Tourism Alliance Partnership: (attachments #1 and #2)

Chairman Belter: You made the statement that hotel sales were up 10% in Bismarck. Do you have the figures for the state?

Shalhoob: No I don't have them here.

Rep Kelsh: You mentioned that the Fargo Scheel's store was one example of promotion. Are they subject to that tax too? Aren't they then being subsidized by the motel tax? And Doesn't Scheel's have their own advertising budget?

Shalhoob: Every business has a budget for advertising their store or property. In this case it's a matter of degree. The bigger you are the bigger your advertising budget, the more you are able to go out and secure that. This is a narrow tax. It's a means of getting to an end. Scheels may not need our help, we take advantage that it's there. It's the same if we take advantage of the landscape of North Dakota.

Rep Pinkerton: Don't the restaurants and attractions all benefit from this, but don't contribute.

Shalhoob: Yes, that is correct. There is a myriad of businesses that are considered a part of the tourism. How broad do you want to make the tax? We are going to maintain that this is an extension, not an increase. The original sales tax was passed with a sunset.

Rep Schmidt: Take the governor's 8.1 increase and then take this 3 - that's 11.1 If Minnesota has a 9.1 - we're over Minnesota.

Shalhoob: The figures I quoted were by the year. Minnesota spends 9.5 per year, that would be 19M per biennium. (We are at 7.6 per biennium)

Rep Kelsh: Do you know how many people came here as a direct result of the Lewis and Clark celebrations?

Shalhoob: I don't, but I don't care why they came here. We can talk about L & C was effective. The point is we advertised and came here.

David Borlaug, President, Lewis and Clark Fort Mandan Foundation: (testimony attached #3)

Terry Thiel, Director, Dickinson Convention and Visitors Bureau: (testimony attached #4)

Julie Rygg, Executive Director, Greater Grand Forks Convention and Visitors Bureau:
(attachment #5)

OPPOSITION

Rep Mark Dosch, Dist 32: I oppose SB 2258. This bill represents everything that is wrong with politics in ND and across the nation. This bill is not about tourism funding. That money was put in the governor's budget with the understanding that the 1% was going to sunset. So all the great things that you heard today from the proponents of this bill, the money is there, the money is in the governor's budget, to continue to the great work of our tourism dept. Rather, I feel this bill is about honesty, integrity, and trust. This tax was passed for a specific time and a specific purpose. Today, with this bill, each of you are being asked to go back on your word. Either we lied four years ago or we're lying now. Do what we said and sunset this bill.

Rep Jim Kasper, Dist 46: Rep Dosch's testimony was verbatim to my notes. I just repeat what he said.

Robert Harms, Lobbyist for the ND Hospitality Association: (attachment #6)

Chairman Belter closed the hearing on SB 2258

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2258

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 2-27-07

Recorder Job Number: 3987

Committee Clerk Signature



Minutes:

Chairman Belter brought the committee to order to act on SB 2258.

Rep Weiler moved a Do Not Pass on SB 2258

Rep Headland seconded the motion

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

Carrier: **Rep Weiler**

Date: 2-27-07
Roll Call Vote #: SB 2258

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. Weiler Seconded By Rep. Headland

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 0

Absent 1

Floor Assignment Rep. Weiler

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

REPORT OF STANDING COMMITTEE

SB 2258: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO NOT PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2258 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2258

Chairman Urlacher and members of the Senate Finance and Tax Committee, I am Dave Oehlke, senator from district 15 and offer my support of SB2258.

SB2258 is a simple bill that seeks to take the sunset clause off of a 1% lodging tax that was enacted 4 years ago to provide marketing dollars to promote the Lewis and Clark 200 year anniversary.

Those dollars spent, as it turns out, were well spent and generated many more dollars income to our resident business than expended.

It seems a good idea to delete the sunset on this tax and allow it to continue doing it's great marketing work.

As will be noted by others, surrounding states spend much more than we on advertisement and ND must, if we expect to compete in today's market, step up to the plate.

I urge the committees support of SB 2258.

Thank you,
Dave Oehlke

Sharon —
Here you go,
if not too late,
Dave.

Testimony of Sen. Tracy Potter, D-35, on SB 2258

Mr. Chairman, members of the Senate Finance and Tax Committee,

Four years ago your committee launched, with a 6-0 Do-Pass, a new initiative ... a test.

The idea was to ask our out-of-state guests to help us pay for the advertising to lure them here. We created a dedicated tax to help fund tourism marketing - tying the budget of the agency to their success at putting people into North Dakota hotel rooms.

Momentum for the idea was aided by the Lewis and Clark Bicentennial, and the funds were directed completely to out-of-state marketing during the period of the Bicentennial.

I said the dedicated tax was a test - a four-year test which expires on June 30, 2007. Mr. Chairman, tourism passed the test. First, you've seen the numbers from the state Tourism office and independent consultants ... the increased tourism advertising will bring more than \$150 million in new spending to North Dakota. Increases in the General Fund from Sales Tax alone exceed spending from the lodging tax revenue.

The only question - the only opposition - to the bill four years ago, was the question of how the tax might affect hotel revenue. Ask Bill Shalhoob - room rates and occupancy climbed as the tax dollars were turned into out-of-state advertising. Just months after the legislation passed, I was being told by hotel owners to leave the tax alone and not tinker with it.

Given our strong budget situation it is understandable to wonder if we need the tax any longer. My question is this: if we're going to cut taxes, why would we start with a tax paid - at least 50% - by people from other states. Tourism needs a dedicated source of funding, related to the agency's own success at bringing people to North Dakota. The statewide lodging tax has been an unqualified success. Let's keep it working for North Dakota businesses and workers and our quality of life.



WOODLAND RESORT

1012 Woodland Dr. • Devils Lake, ND 58301

Phone (701) 662-5996

*Same
sent to
House Finance
& Tax
and to
Senate
appropr*

January 22, 2007.

**Senate Finance and Taxation Committee
Senate Bill 2258**

Mr. Chairman and Members of the Committee:

My name is Kyle Blanchfield. I am a resort owner from Devils Lake and I am here asking for your support of SB 2258.

The tax dollars collected from guests that stay in motels, hotels, and resorts statewide are being wisely invested. These valuable marketing dollars enhance our ability to market our great state. I urge you to consider the funds collected from the lodging tax and deposited into the State Tourism budget an investment in North Dakota. This generally painless tax on lodging guests is a norm nation wide and an accepted revenue system for tourism promotion funding.

Tourism is North Dakota's fastest growing industry and is now second only to Agriculture. Our business is a tangible entity that has prospered from aggressive local and state marketing. We are a full service lakeside resort that has gone from 4 employees to over 125 seasonal and full time staff. Our growth is one that mirrors many of the state wide private and public attractions. North Dakota can grow this natural asset, but it takes commitment from both the private and public sectors.

Our state gets a terrific bang-for-our-buck return on dollars invested. Lodging tax dollars allow us to market our strengths as a destination for a variety of travelers. My community depends on tourism to maintain our local tax base and employment. Many small communities statewide are just beginning to enjoy the tourism trade and the opportunities that come with it. These communities are investing in infrastructure and local dollars to attract travelers. North Dakota Tourism needs your support so we can keep and grow our tourism industry.

Our industry is at a crossroad. One turn is status quo and hope to maintain what we have fought for, or the other option is to take the turn that will lead North Dakota to a bigger and better share of people wanting to experience what our state has to offer. We have quality experiences people are looking for, we just need to let people know about it. Lets tell them!

Thank you for the chance to offer my view of this very important issue.

Sincerely,


Kyle Blanchfield
Woodland Resort

**North Dakota Senate Finance and Taxation Committee
Testimony of David Borlaug, President
Lewis & Clark Fort Mandan Foundation
In Support of SB 2258**

Chairman Urlacher and Members of the Committee, my name is David Borlaug, and I am President of the Lewis & Clark Fort Mandan Foundation, which operates the North Dakota Lewis & Clark Interpretive Center and Fort Mandan at Washburn. I am also a board member of the Washburn Area Economic Development Association.

Your support for passage of SB 2258, which will lift the sunset clause on the one percent lodging tax, will help the tourism industry and all of North Dakota in our efforts to get the tourism promotion budget to a level that allows us to compete effectively with other nearby states.

This tax has proven itself and has been accepted by the lodging industry. Only those whose anti-tax philosophy is uncompromising can argue against the value of this source of funding. What better way to help fund the promotion of North Dakota to out of state visitors than to have primarily out of state people paying the tax?

We have a Tourism Division staffed with professionals eager to market our state to the world. Let's give them the funding to do it right, and at a level that at least begins to approach neighboring states. We still have far to go to do that, but continuation of this tax will help get us there eventually.

Please support SB 2258 and send the message that North Dakota's marketing efforts will continue to grow!

Thank you, and I will be happy to answer any questions.



Same given to Senate approps

Convention & Visitors Bureau

January 22, 2007

Mr. Chairman and members of the Senate Finance and Taxation Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau. I am in support of Senate Bill 2258.

The implementation of the state-wide 1% lodging tax in 2003 gave the ND Tourism Division an opportunity to invest in marketing media that had never been available in prior years. The Tourism Division has diligently researched and placed media that has returned investment to the state of North Dakota in tourism visitation.

Now, ND is in national publications, syndicated television and other media that otherwise would have been unavailable. With the ND Tourism Division placing ads in national magazines, co-op opportunities have been created for the local Convention & Visitors Bureaus to purchase ads otherwise too costly. This program is called "Cooperative Advertising Opportunities" and it has allowed our CVB to purchase advertising that we otherwise would have not been able to consider.

We believe in marketing investment, and in creating an image and experience that will bring visitation and awareness to our state. Marketing is essential and no business, especially tourism, should ever reduce one of its biggest part of a business plan. The ND Tourism Division has a marketing plan, just like a business should, and we believe it should be supported.

The Dickinson Convention & Visitors Bureau supports SB 2258; please support SB 2258.

Sincerely,

Terri Thiel
Executive Director

*Sunset
Sun to
Senate
Approps*



Testimony of Julie Rygg
Greater Grand Forks Convention & Visitor Bureau Executive Director
Senate Bill: 2258
January 22, 2007

Mr. Chairman and members of the Senate Finance and Taxation Committee:

Please accept this testimony on behalf of the Greater Grand Forks Convention & Visitors Bureau (GGF CVB) as a request of your support of SB 2258, which removes the sunset provision from the lodging tax law and allocates revenue generated from this law to out-of-state marketing.

Tourism has been designated as one of the top sectors of economic growth in North Dakota. We need to have mechanisms in place to support the current funding level as well as increasing it to continue this growth and be on a level playing field with our closest competitors.

The 1% statewide lodging tax has benefited the entire state through image marketing, partnership opportunities and promotional events. Specifically to the GGF CVB, it has meant promoting North Dakota to Canadians through advertising and promotional efforts that had not been done for many years. Canadian visitors are so important to our local economy, and we rely on the efforts of the ND Tourism Division to assist with bringing them here. It is especially important now with an improving Canadian exchange rate.

This is a crucial time for us to be aggressive in our marketing and sales efforts to entice new and repeat visitors to our great state. To continue such programs and create new ones, the ND Tourism Division needs the dollars generated through this tax.

Again, I urge you to support removing the sunset from the 1% statewide lodging tax.

Thank you for your time and consideration.

Respectfully,

Julie Rygg

January 22, 2007

Chairman Urlacher and Members of the Committee, my name is Teri Onsgard, I am the Director of Sales for the Fargo-Moorhead Convention and Visitors Bureau. I am also the President of the Destination Marketing Association of North Dakota or DMAND.

**The Fargo Moorhead Convention & Vistors Bureau supports SB 2258
The Destination Marketing Association of North Dakota supports SB 2258**

We are in favor of SB 2258 and we would like to see the 1% lodging tax continue for tourism marketing. We believe that this funding source is working and now is the time to maintain the current level of tourism marketing dollars. This legislation allows North Dakota to have out of state guests contributed to the State's budget.

This is crucial funding to maintain the level of success for the marketing efforts of North Dakota as a destination for visitors. The North Dakota Tourism Division needs this funding source to continue marketing our rich history and culture.

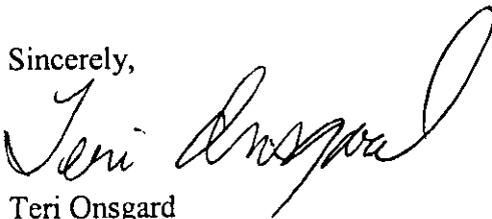
All of our hotels in Fargo-Moorhead have seen that its working and those that were in opposition to the 1% lodging tax now see that it is effective and necessary to advance North Dakota as a destination for visitors.

The Board of the Fargo Moorhead Convention & Vistors Bureau approved the Tourism Alliance Partnership, 2007 legislative positions and that includes the continuation of the lodging tax.

The members of Destination Marketing Associations of North Dakota support legislation to maintain the tax. We want to the Tourism Division to have the funding resources to market each of our Destinations. We must act quickly and strategically to avoid falling behind our competitors.

Please support SB 2258.

Sincerely,



Teri Onsgard
Director of Sales, Fargo Moorhead Convention & Vistors Bureau
President, DMAND

North Dakota

Tourism Alliance Partnership

Same given to Senate approves

Testimony of Bill Shalhoob
Chairman, Tourism Alliance Partnership

SB 2258

January 22, 2007

P.O. Box 2599
Bismarck, ND 58502
(701) 355-4458
FAX (701) 223-4645

MEMBERS

Basin Electric Power
Cooperative

Bismarck-Mandan CVB

Buffalo City Tourism

Destination Marketing
Association of North Dakota

Devils Lake CVB

Dickinson CVB

Fargo-Moorhead CVB

Fort Abraham
Lincoln Foundation

Grand Forks CVB

International Peace Garden

Lewis & Clark
Fort Mandan Foundation

MDU Resources Group, Inc.

Municipal Airport
Authority of the
City of Fargo

ND Aeronautics Commission

ND Cowboy Hall of Fame

ND Rural and Nature
Tourism Association

ND Tourism Division

Newman Outdoor Advertising

Norsk Hostfest

Odney Communications Group

Select Inn of Bismarck

Spirit Lake Casino and Resort

State Historical Society of
Dakota Foundation

Theodore Roosevelt
Medora Foundation

Woodland Resort, Inc.

Mr. Chairman and members of the committee, my name is Bill Shalhoob. I am here today representing TAP as its chairman and myself as the managing partner of a small, limited service hotel, the Select Inn of Bismarck. I am here today in support of adequate marketing funds for the North Dakota Tourism Department.

I believe I represent many small tourism businesses in North Dakota without the size, revenues and hence marketing budget to tell our story on a regional or national level. We rely on North Dakota to lead the way in marketing North Dakota. We can and do follow this lead with our own marketing and advertising in an effort to gain additional sales for our individual businesses. At current levels we are at least minimally competitive with our neighbors, although we are still in last place with spending of \$3.8 million per year. The next lowest state in our region is Wyoming with \$7.4 million, and Minnesota expends \$9.5 million annually. A list of marketing numbers by state is attached. Tourism interest and tourism sales, which translate directly to tax collections from the tourism sector, are at an all-time high. I can tell you as the operator of a small part of the tourism segment, we have seen unprecedented growth and success directly related to the increased marketing this tax allowed. I can also state we have not had one guest comment to us about the 1% difference before and after this tax was initiated.

Mr. Chairman and members of the committee, I am here today asking for adequate funding for marketing North Dakota. We have a wonderful story to tell, and potential customers need to be told of the value of a visit to our diverse and interesting state. If that funding is from the general fund or from a combination of general fund and this tax, it does not matter. We need to keep North Dakota moving forward. Tourism marketing is one the few parts of the budget that can show a positive return on investment for the state. The outlook for our industry is bright and the future limited only by a few dollars and our imagination in developing the marketing necessary to attract visitors. Led by the Tourism Department and working together with our cities, attractions and businesses, we can continue to drive more sales into our state, more revenue into our economy and more tax collections into the state treasury - a true win-win for everyone.

Thank you for the opportunity to appear before you today in support of tourism funding. I would be happy to answer any questions.



Marketing North Dakota

The primary competition for North Dakota's tourism industry is neighboring and nearby states. In 2005, North Dakota ranked 45th in the nation in tourism funding and exhibited the smallest tourism budget compared to its neighbors and competitors.

State	2004-2005	2005-2006	Source
North Dakota	\$3.5 million	\$3.8 million	58% General Fund 4.7% Special Funds 37% Lodging Tax (1%)
Colorado	\$7.9 million	\$10.2 million	58% General Fund 22% Ad Sales 20% Interest from Unclaimed Property
Montana	\$8.1 million	\$8.3 million	99% Lodging Tax 1% Private/Co-op Funds
Minnesota	\$8.2 million	\$9.5 million	97% General Fund 3% Federal Scenic Byway
South Dakota	\$8.3 million	\$8.8 million	31% Gaming 59% Promotional Tax 10% General Fund
Wyoming	\$7.0 million	\$7.4 million	100% General Fund

Source: Travel Industry Association of America



Tourism is one of North Dakota's largest and fastest-growing industries, offering some of the best opportunities for economic development. North Dakota's diverse and unspoiled travel destinations attract visitors from all over the nation. New interest in North Dakota is due to the emergence of nature tourism, agri-tourism, and culture and heritage tourism fueled by the bicentennial commemoration of the Lewis and Clark expedition. It provides strong incentives for industry growth.

AN ESTABLISHED FORCE

- Tourism is the second largest industry in North Dakota (NDSU agri-business study).
- Tourism contributed more than \$3.4 billion to the state's economic base in 2004.
- In 2005, domestic travel spending in North Dakota created more than 30,750 jobs, along with more than \$307 million in payroll income.
- Domestic travel spending in North Dakota generated \$247 million in tax revenue for federal, state, and local governments in 2001.

A GROWING INDUSTRY

- Visitors' spent \$83 million in 2005 due to the Tourism Division's Legendary brand message and a \$1.08 million investment in advertising.
- In recent years, more than \$20 million in improvements were invested in developing and improving attractions across the state.
- A leading indicator of visitors to the state is the local lodging tax collections, which generated a fourth-quarter increase of 15% over the same period last year, and a 7% increase this year.
- Inquires to the state are up 6% through the fourth quarter.
- The North Dakota Tourism Web site has received a 49% increase in visitors since 2005. Unique visitors are also up 17%.

A SURE SUCCESS

- The tourism industry in North Dakota rests on a strong foundation. The state boasts a fully functioning travel industry, together with a well developed system of state parks, wildlife refuges, historical sites, and gaming and convention facilities.
- Investments in tourism generate money for North Dakota. According to Longwoods International, every dollar spent on advertising returned \$81 in spending in 2005, or \$4.75 in state tax revenue for every dollar invested in advertising the state.
- Many different segments of local economies benefit from the visitors the tourism industry brings to the state. Investing in North Dakota tourism is an investment in the entire state.
- Research shows that the Legendary branding campaign is bringing people to North Dakota, especially to the eastern gateway cities.

Some given to Senate APPROP - and to House Finance & Tax

**Testimony of Randy Hatzenbuhler
President of the Theodore Roosevelt Medora Foundation
SB 2258
January 22, 2007**

Chairman Urlacher and members of the committee, my name is Randy Hatzenbuhler. I am here as a member of the Tourism Alliance Partnership and as the president of the Theodore Roosevelt Medora Foundation.

I ask you to support SB 2258. Doing so will remove the sunset clause for a 1% lodging tax that provides essential marketing dollars for the state. SB 2258 allows for continued needed funding, and importantly much of that funding is paid for by out-of-state travelers. In recent sessions the state has invested in the tourism industry and the return has been excellent. Research by Longwoods International confirms that the money spent by The Tourism Division to market our state has produced remarkably.

During interim session business congress meetings around the state, there was increased awareness of the potential for the tourism industry and the need to invest more resources in tourism. Tourism is one of North Dakota's top industries with great potential for continued growth. More money is needed, specifically for advertising, to effectively market North Dakota.

In 2005, North Dakota ranked 44th in the nation in tourism funding. When compared to our neighboring state's marketing budget, North Dakota falls short. Action must be taken to secure our place in the tourism industry. Otherwise we will be left behind with a missed opportunity.

Again, I ask you to support passage of SB 2258. I would be happy to answer questions you might have.

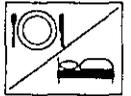
Randy Hatzenbuhler



ND's Restaurant, Lodging & Beverage Association



P.O. Box 428 • Bismarck, ND 58502 • Phone: 701-223-3313 • Fax: 701-223-0215
E-mail: ndha@btinet.net • www.ndhospitality.com



Finance and Tax Committee
North Dakota Senate
January 22, 2007

SB 2258 (1% tax on hotels etc.—remove sunset)

Chairman Urlacher and members of the Committee, my name is Nicki Weissman and I am the Executive Director of the North Dakota Hospitality Association. We have 350 members in North Dakota who are engaged in the hospitality industry.

The North Dakota Hospitality Association **opposes SB 2258** for the following reasons:

First, when the 1% sales tax was proposed in the 2003 session it was described as advertising dollars necessary for the promotion of the Lewis and Clark Bi-centennial event and that it was only going to be a temporary tax on our industry. Because we supported the Lewis and Clark event, we acquiesced to shouldering a tax on a single industry. But that event is over, and so the tax should be let to expire as it was presented.

Second, the bill is not necessary. The revenue that has been raised by the 1% tax on our industry is already included in the Governor's budget for the Tourism Division. In other words, the Tourism Division has the funds in the executive budget recommendation and assumes the 1% tax will sunset as per current law. (Confirmed by OMB).

Finally, SB 2258 amounts to a tax increase on a single industry when there is no rationale offered for such an increase. As a matter of general tax policy we should not impose a tax on a single industry to promote a broader public interest. But, furthermore a new tax should not be imposed when general revenues are budgeted to meet the needs of the Tourism Division

For these reasons we ask for a DO NOT PASS on SB 2258



**Best Western
Kelly Inn**

1510 26th Avenue SW
Minot, ND 58701
(701) 852-4300
Fax: (701) 838-1234

For Reservations Call
1-800-735-5868

Email: minot@kellyinns.com
www.bestwesternminot.com

January 19, 2007

To: Finance and Taxation Committee
From: Lori Olson
General Manager
Best Western Kelly Inn Minot

Chairman Urlacher and Committee Members,

My name is Lori Olson and I am the General Manager of the Best Western Kelly Inn in Minot. First let me thank you for allowing me to address you today.

I wish to express my concern for the removal of the sunset provision from the 1% lodging tax law. I strongly believe the sunset of this tax should occur. Many industries benefit from tourism throughout the state. Why then is it only the hotels that are responsible for collecting a tax to fund a portion of the tourism budget? I do not believe one sector of the tourism industry should be singled out to collect dollars to market the entire industry. When the tax was proposed to the committee four years ago, the dollars generated were to be used specifically for the promotion of the Lewis & Clark Bicentennial. This event ended; therefore the lodging tax that was generated for this event should be finished as well.

Tourism is the second leading industry in the state of North Dakota. I would hope that this committee as well as the Senate and the House would see that if this is the case for North Dakota that the entire funding for the tourism budget come from the state and not a private sector. If the state feels this cannot be done, then the tax should be instituted for all tourism benefiting entities and not single out one specifically to tax just because it is the easiest answer to generate dollars for this department.

Thank you again for letting me address you today.

Sincerely,

Lori Olson
General Manager
Best Western Kelly Inn



NDLA, S FIN

From: Braunberger, Blane D.
Sent: Tuesday, January 23, 2007 9:00 AM
To: NDLA, S FIN
Subject: Additional requested for Senate Bill 2258 - Lewis & Clark lodging tax sunset

Importance: High

During the hearing on January 22 additional information was requested by the committee. The following is a listing of the questions and answers.

1) How many local governments impose a sales tax of some type?

- city sales tax = 113
- county sales tax = 3

- city lodging tax administrated by the state = 30
 - four cities (Fargo, Grand Forks, Minot and Valley City) administer their own city lodging tax
- city lodging & restaurant tax administrated by the state = 17

2) What are the administrative fees charged by the state to collect the various local option taxes?

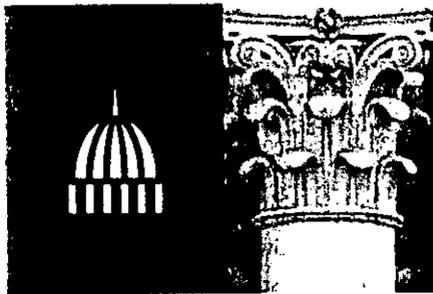
- City & County sales tax is based on 3% of the tax collected for the reporting period or \$35 per permit holder in their jurisdiction, whichever is less

- City lodging and City lodging & restaurant taxes are based on 3% of the tax collected for the reporting period

you have any further questions, please contact me.

Blane D. Braunberger
Compliance Supervisor, Sales and Withholding Taxes
ND Office of State Tax Commissioner
600 E. Blvd. Ave.
Bismarck, ND 58505-0599

Phone: (701) 328-3011
Fax: (701) 328-1942
E-mail: bbraunberger@nd.gov
Website: www.nd.gov/tax



National Conference of State Legislatures

LEGISBRIEF

BRIEFING PAPERS ON THE IMPORTANT ISSUES OF THE DAY

JANUARY 2007

VOL. 15, No. 4

State Lodging Taxes

By Mandy Rafool

Governments in every state impose taxes on short-term accommodations.

Before you lay your weary head to rest from your travels, be prepared to wake up and pay your lodging taxes. State or local governments in every state impose taxes on short-term accommodations (usually 30 days or less). These taxes have become increasingly popular with state residents, who typically do not pay them.

Lodging taxes frequently support tourist-related activities, such as convention centers and destination promotion. In many places, lodging taxes also support special projects, such as sports facilities.

State Action

Taxes on lodging take various forms. Often, accommodations are subject to the same general sales taxes (both state and local) that apply to most other purchases. Twenty-three states and the District of Columbia impose specific lodging taxes, either in place of or in addition to the general sales tax.

In addition to the statewide lodging taxes listed in the table, most states permit local governments to impose lodging taxes, resulting in much higher total tax rates. In Texas, accommodations in Houston are taxed

Twenty-three states and the District of Columbia impose lodging taxes.

Most states permit local governments to impose lodging taxes.

Lodging Taxes		
Alabama	4.0%	
Arizona	5.5	
Arkansas	2.0	
Connecticut	12.0	
Delaware	8.0	No state sales tax.
Hawaii	7.25	
Idaho	5.0	
Illinois	6.0	Applies to 94 percent of lodging receipts.
Kentucky	1.0	
Maine	7.0	
Massachusetts	5.7	
Montana	4.0	No state sales tax.
Nebraska	1.0	
New Hampshire	8.0	No state sales tax.
New Jersey	5.0	
North Dakota	1.0	
Oklahoma	0.1	
Oregon	1.0	No state sales tax.
Pennsylvania	6.0	
Rhode Island	5.0	
South Dakota	1.0	
Texas	6.0	
Vermont	9.0	
District of Columbia	14.55	
Puerto Rico	9.0	Rates vary - 11% for casino hotels and 7% for other short-term rentals
U.S. Virgin Islands	8.0	

Source: Commerce Clearing House, *State Tax Guide*, 2006.

National Conference
of State Legislatures

Executive Director
William T. Pound

Denver
7700 East First Place
Denver, Colorado 80230
Phone (303) 364-7700
www.ncsl.org

Washington, D.C.
444 North Capital Street, NW, Suite 515
Washington, D.C. 20001
Phone (202) 624-5400

at 17 percent—only 6 percent of that amount is the state rate. Some states allow lodging taxes only at the local level. For example, California does not impose a tax on lodging, but cities such as San Francisco and Los Angeles are authorized to levy lodging taxes of 14 percent.

Even states that do not allow local governments many other taxing options have been more permissive about local taxes on tourists. In Massachusetts, for example, local governments are not allowed to levy sales or income taxes, but they may assess a lodging tax. Three states that have no state sales taxes—Alaska, Montana and Oregon—allow lodging taxes to be levied at the local level. The few states that do not permit local governments to impose lodging taxes impose a state lodging tax. Collective state and local lodging taxes add up; combined rates generally total well over 10 percent.

Tourism taxes are one way to raise revenues for tourism development. The tourism industry has long supported taxes as an important source of money for advertising and promotion, and many states dedicate revenue for this purpose. Arkansas levies a 2 percent tourism tax on lodging, camping, marina rentals and admissions, and the revenues generated by this tax are earmarked for the Department of Parks and Tourism for promotion. In Oklahoma, a 0.1 percent tax on designated tourist activities funds the state's tourism advertising campaign. Many other states have similar programs.

Taxing tourists presents an interesting dilemma. On the one hand, many claim these taxes are unfair because those being taxed do not vote locally and have no voice. On the other hand, tourists do place a burden on government services such as transportation and public safety.

As attractive as lodging taxes (and other tourist taxes) may be to support tourism-related activities, however, some industry experts warn that the trend of ever-increasing taxes is likely to have detrimental effects over time. They caution that placing too heavy a tax burden on visitors is likely to make them think twice about coming back.

Contact for More Information

Mandy Rafool
NCSL—Denver
(303) 364-7700, ext. 1506
mandy.rafool@ncsl.org

Local governments in some states may levy a lodging tax, but no sales tax.

Tourism taxes raise revenues for tourism development.

4

North Dakota Senate Appropriations Committee
Testimony of David Borlaug, President, Lewis & Clark Fort Mandan
Foundation
In Support of SB2258, Lodging Tax
Tuesday, January 30, 2007

Chairman Holmberg and Members of the Committee, my name is David Borlaug, and I am President of the Lewis & Clark Fort Mandan Foundation, which operates the Lewis & Clark Interpretive Center and Fort Mandan at Washburn. We also now manage the day to day operations of the Western 4-H Camp, in partnership with NDSU Extension and the Western 4-H Camp Association. I am also here representing the Tourism Alliance Partnership, which strongly urges you to favor SB2258, making the 1 percent lodging tax permanent.

I have been coming here long enough to know how much you appreciate partnerships, and leveraging of resources. Our Tourism Division invests the dollars that you appropriate in marketing to attract more out of state visitors to North Dakota. Attractions like mine add tens of thousands of dollars each, funds invested in us by our non-profit foundation members and supporters.

All of us work hard to bring more visitors here, and when they come, many of them stay in our hotels. The lodging industry has been part of this partnership by collecting 1 percent of sales, allocated to tourism promotion. This money in turn is used to attract more customers for those hotels. Significantly, all of this is paid by primarily out of state visitors.

You have already heard the statistics of the enormous payback the state receives for this investment of promotion dollars. Why would we want to "sunset" something that works so well?

This tax was a test, and North Dakota passed with an A+. This past year alone, hotels enjoyed another up year. The tax is not a burden on visitors or hotels, but rather a logical, reasonable component of the public private partnerships that make North Dakota better.

Please support continuation of this tax that works for all of us.

Mr. Chairman and members of the committee, I will be happy to answer any questions.



*Some given to
House Finance
& Tax*

Fargo-Moorhead Convention & Visitors Bureau

January 30, 2007

Testimony of Cole Carley
Fargo-Moorhead Convention & Visitors Bureau
Co-Founder: North Dakota Tourism Alliance
Senate Bill 2258
Senate Appropriations Committee

★
P.O. Box 2164
Fargo, ND 58107
▲
2001 44th Street SW
Fargo, ND 58103
■
Phone 701-282-3653

Chairman Holmberg & Members of the Committee:

We ask you to approve removal of the sunset portion of the state lodging tax law, and allocate its funding for out-of-state marketing.

This user tax, while originally opposed in 2003 by some hotels and some CVBs, has proven to be beneficial to tourism marketing. Whereas most of our Fargo hotels vehemently opposed the original bill in 2003, **I have not heard from any hotels** here who oppose it now; in fact, several have endorsed it.

Tourism is still the second-largest industry in North Dakota and we must keep promoting it, especially as our competition's budgets increase. As an example, Minnesota's Governor Pawlenty has proposed a hike in the tourism budget in that state, and the Minnesota legislature is thus far looking favorably toward that proposal.

The return on investment in tourism marketing is tremendous. The state's coffers will be reimbursed many times through the tax revenue generated by visitor spending in North Dakota. In addition, that reimbursement **will happen in this biennium**. Tourism is the **only industry** that can do that.

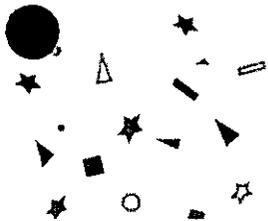
We seek \$10 million for tourism to achieve even more for North Dakota. Maintaining this lodging tax will help us toward that goal.

Thanks very much.

Yours truly,

Cole Carley, CDME
President/CEO

●-235-7654
★
FAX 701-282-4366
●
www.fargomoorhead.org
■
e-mail:
fmcvb@fargomoorhead.org



Jan. 30, 2007

To: Members of the Senate Appropriations Committee
From: Connie Krapp
7350 21st St SE
Pingree, ND 58476
701-652-5037
bisoon@daktel.com

I am writing to ask a DO PASS recommendation of Senate Bill 2258, which removes the sunset provision from the lodging tax law and allocates revenue generated from this law to marketing to non-resident tourists.

It is important that tourism, which is a primary sector industry and critically important to our area of the state, continue to be funded at appropriate levels. We in North Dakota continue to hear that, among all states, we have the lowest per capita tourism funding of any state in the union.

We have proven that every dollar spent in tourism advertising generates impressive economic paybacks. Please consider the economic impact to all the state when considering this legislation, and vote "YES" on Senate Bill 2258. Thank you.

Comments of Sen. Tracy Potter on SB 2358

Four years ago your committee agreed with the Finance and Tax Committee and recommended a new initiative for North Dakota - a test of a concept.

The idea was to ask our out-of-state guests to help us pay for the advertising to lure them here. We created a dedicated tax to help fund tourism marketing - tying the budget of the agency to their success at putting people into North Dakota hotel rooms.

Momentum for the idea was aided by the Lewis and Clark Bicentennial, and the funds were directed completely to out-of-state marketing during the period of the Bicentennial - Sara Otte Coleman used them extremely well, using the funds to re-enter the Canadian market, benefitting the whole state, but particularly Grand Forks, Minot and Fargo.

I said the dedicated tax was a test - a four-year test which expires on June 30, 2007. Mr. Chairman, tourism passed the test. First, you've seen the numbers from the state Tourism office and independent consultants ... the increased tourism advertising will bring more than \$150 million in new spending to North Dakota in this biennium. Increases in the General Fund from Sales Tax alone exceed spending from the lodging tax revenue.

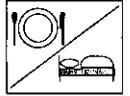
The only question - the only opposition - to the bill four years ago, was the question of how the tax might affect hotel revenue. Ask Bill Shalhoob - room rates and occupancy climbed as the tax dollars were turned into out-of-state advertising. Just months after the legislation passed, I was being told by hotel owners to leave the tax alone and not tinker with it. Some still resent it and feel unfairly singled out - the whole state benefits from tourism, but the hotels are specifically asked to collect the tax. No one raises an economic argument against the tax any longer.

Now the argument is the sunset clause. Sunset clauses have a good purpose. The 58th Legislative Session launched an experiment - a real put up or shut up to the tourism industry - a nearly 60% increase in budget funded by a dedicated tax on hotel rooms. If it didn't work, if it hurt hotel occupancy, if there was a broad public outcry against the tax, it would be quietly retired by the 60th Legislature.

Members of the Senate Appropriations Committee, it did work, it didn't hurt hotel occupancy, there is no broad outcry against paying the tax - just a little against collecting it. I urge your favorable consideration of SB 2358.



ND's Restaurant, Lodging & Beverage Association



P.O. Box 428 • Bismarck, ND 58502 • Phone: 701-223-3313 • Fax: 701-223-0215
E-mail: ndha@btinet.net • www.ndhospitality.com

Senate Appropriations Committee
North Dakota Senate
January 30, 2007

SB 2258 (1% tax on hotels etc.—remove sunset)

Chairman Holmberg and members of the Committee, my name is Robert Harms. I am the lobbyist for the North Dakota Hospitality Association which has 350 members in North Dakota who are engaged in all aspects of the hospitality industry, including the hotel sector.

The North Dakota Hospitality Association **opposes SB 2258** for the following reasons:

First, when the 1% sales tax was proposed in 2003 it was described as advertising dollars necessary for the promotion of the Lewis and Clark Bi-centennial and that it was going to be a temporary tax on our industry. Because we supported the Lewis and Clark event, we acquiesced to shouldering the tax on a single industry. But that event is over, and so the tax should be let to expire as it was intended. It is unfair to the state hotel industry to do otherwise.

Second, the bill is not necessary. The equivalent revenue that has been raised by the 1% hotel tax is already included in the Governor's budget for the Tourism Division from the general fund. In other words, the Tourism Division already has the funds in the executive

Finally, SB 2258 amounts to a tax increase on a single industry when there is no rationale offered for such an increase. As a matter of general tax policy we should not impose a tax on a single industry to promote a broader public interest. But, furthermore a new tax should not be imposed when general revenues are budgeted to meet the needs of the Tourism Division

For these reasons we ask for a DO NOT PASS on SB 2258

SB 2258 – Tourism Funding
Senate Appropriations Committee
Hearing - February 27, 2007

**Letter of Support by Virginia Nelsen, Executive Director,
State Historical Society of North Dakota Foundation
Lobbyist for the Foundation, #490**

The State Historical Society of North Dakota Foundation is a member of the Tourism Alliance Partnership. We are sending along this letter of support for SB 2258 and Tourism funding.

The Historical Society and its network of historic sites and museums draw 500,000 visitors to its sites all across the state over a two year period. Fifty percent of these visitors are from out of state. These are the visitors that the Tourism marketing dollars are targeting. These are new dollars for the North Dakota economy. These visitors stay in hotels, buy meals, shop in malls, buy gas *and think about living and working in North Dakota.*

When the Foundation did a feasibility study for the proposed expansion of the North Dakota Heritage Center – the number one criticism of the Society was that it does not do enough “marketing and advertng” so citizens and visitors can use our facilities and services. The Society does not have an official marketing budget; it relies on Tourism to do their marketing. Our supporters are not pleased with the marketing we have---they certainly see the need as we do to make investments in tourism marketing.

From other testimony we are hearing that North Dakota is 44th in marketing dollars invested in tourism. We are hearing that neighboring states spend nearly twice as much as North Dakota does on marketing. We are seeing that dollars invested bring a large return. We hear that lodging owners are not complaining about the tax. We hear that tourists paying the tax are not offended. We see a growing network of “attractions” that can benefit from Tourism marketing. What’s the beef?

A three legged stool – an economy based on three sectors, agriculture, energy and tourism/hospitality – is far more secure and balanced. It is only wise to see what is working in this industry in neighboring regions and follow their lead. Let’s invest in marketing for tourism and continue to invest in the tourism industry.

The proposed North Dakota Heritage Center will be the “Smithsonian of the Plains,” the center piece, the jewel in the crown, the “must see” attraction on the capitol grounds. The new North Dakota Heritage Center will push tourists all across the state to other attractions and cities. Tourism is a partner in these plans. The Society is developing attractions. Tourism marketing dollars will bring in the visitors.

We thank the Legislature for your growing understanding of the tourism industry and wise investment strategies. We will all benefit from this coordinated effort.

Devils Lake Tourism

**208 West Hwy 2
Devils Lake, ND 58301**

February 26, 2007

Mr. Chairman and Members of the Committee:

I am the Tourism Director at the Chamber of Commerce in Devils Lake, North Dakota and I am asking for your support of SB 2258.

Tourism is the second largest and fastest growing industry and we are asking for your support of this bill to help keep our state prospering from tourism. With the growth of new tourist attractions and businesses the tax dollars collected from lodging will enhance our state marketing. Our community relies on tourism and to maintain our tax base and generate new employment we need this additional funding.

Thank-you for the opportunity to express my view of the importance of this issue.

Sincerely,

**Judy Hoffer
Tourism Director
Devils Lake Chamber of Commerce**

February 26, 2007

Dear Chairman Belter and Members of the Committee,

My name is Teri Onsgard, I am the president of the Destination Marketing Association of North Dakota formerly ND Assn. of CVB. Our members voted to approve the Legislative Agenda of the Tourism Alliance Partnership which includes approval of SB 2258. We feel that the one percent lodging tax is working and is necessary to maintain the advances seen in the past two years with this level of tourism marketing dollars.

- This legislation allows North Dakota to have out-of-state guests contribute to the State's budget.
- Provides the Tourism Division the funding to market each of our members destinations
- The lodging tax is crucial in telling our story of a rich history and culture, we know how rich we are in quality of life experiences but we need to tell the rest of the world.
- Targeted research and results have proven that investing in tourism is an excellent way to increase both our economy and tax revenue

North Dakota has one of the smallest tourism budgets in the nation, yet it is our state's 2nd largest industry. We must act quickly and strategically to avoid falling behind our competition.

Please support SB 2258
Thank you for your valuable time.

Sincerely,

Teri Onsgard,

Director of Sales
 Fargo-Moorhead Convention & Visitors Bureau
 2001 44th ST SW
 Fargo ND 58103
 Toll Free 800-235-7654
 Phone 701-282-3653
 Fax 701-282-4366
 Mobile 701-371-6701
 teri@fargomoorhead.org

Fargo-Moorhead "We're More Than you Expect"



North Dakota Nature & Rural Tourism Association

4777 HWY 41 NORTH * VELVA ND 58790*701-626-2226
BLACKBUTTEADVENTURES@SRT.COM * WWW.NDNATURE.ORG

February 27, 2007

Chairman Belter and members of the House Finance and Taxation Committee:

My name is Maria Effertz Hanson and I am the current President of the North Dakota Nature and Rural Tourism Association. I also operate, with my family, a rural tourism business called Black Butte Adventures where we attract visitors for a rural experience through hiking, biking and camping.

The North Dakota Nature and Rural Tourism Association encourage you to support SB 2258, which would provide additional funding for North Dakota tourism marketing and advertising through the one percent lodging tax.

Our grassroots group of independent operators who have an interest in rural and nature tourism is dedicated to increasing revenues for the rural entrepreneur and in North Dakota through nature and rural tourism.

Tourism grows the state's economy. Through smart use of their dollars, the North Dakota Tourism Department has shown that one dollar spent in tourism marketing will return \$81! North Dakota is uniquely positioned for phenomenal growth. Industry analysts indicate that today's tourists are increasingly concerned about safe travel destinations. They desire a very personal experience - an experience that North Dakota is uniquely qualified to deliver.

The key component that is needed for North Dakota to capitalize on these new priorities is marketing. Just as in any business venture, marketing is probably the most important component of any successful endeavor. North Dakota, however, is at a disadvantage when compared to the advertising budgets of neighboring states. We compete for the same customer, but with a tourism marketing budget that is many times smaller than our neighbors.

As our members grow their operations, we look toward the North Dakota Tourism office to help market our state and help coordinate marketing efforts that benefit the entire state. Funding provided through SB 2258 would only increase the success of these efforts.

I sincerely hope that you will give the Tourism Division the support and resources they need to take advantage of what could be significant economic growth in North Dakota. I encourage you to support SB 2258, as well as increased funds from the general fund to help us promote North Dakota. It's a win-win investment for our people, businesses, and our state.

Buffalo City Tourism Foundation
404 Louis L'Amour Lane
Jamestown, ND 58401

Mr. Chairman and Members of the Committee:

I am pleased to join many others as we sing the same song...please remove the sunset provision from the lodging tax law and allocate the revenue generated from this law to out-of-state marketing.

The 1% statewide lodging tax has generated an economic impact to the State of North Dakota by using these funds in a well-organized, well-orchestrated marketing campaign over the years that has been proven effective. The impact is undeniable. The outcome is self-evident.

We have only begun to see the fruits of our labors as more and more guests begin to discover what our state has to offer. Our local communities are beginning to see the power of tourism investments and the promise of a great economic return in their future. We think it is the right time to keep this momentum going by supporting the removal of the sunset from the 1% statewide lodging tax.

Thank you for your time and consideration.

Respectfully,
Nina Sneider
Executive Director
Buffalo City Tourism Foundation

SB 2258 A

#1 2-27-07 AM

North Dakota

Tourism Alliance Partnership

P.O. Box 2599
Bismarck, ND 58502
(701) 355-4458
FAX (701) 223-4645

2007 MEMBERS

Basin Electric
Power Cooperative

Bismarck-Mandan CVB

Bufalo City Tourism

Destination Marketing
Association of North Dakota

Devils Lake CVB

Dickinson CVB

Grand Forks CVB

Water Grand Forks CVB

Municipal Airport
Authority of the
City of Fargo

ND Aeronautics Commission

ND Cowboy Hall of Fame

ND Rural and Nature
Tourism Association

ND Tourism Division

Newman Outdoor Advertising

Norsk Hostfest Association

Odney Communications Group

Select Inn of Bismarck

Spirit Lake Casino and Resort

State Historical Society of
North Dakota Foundation

Theodore Roosevelt
Medora Foundation

Woodland Resort, Inc.

Testimony of Bill Shalhoob
Chairman, Tourism Alliance Partnership
SB 2258

February 27, 2007

Mr. Chairman and members of the committee, my name is Bill Shalhoob. I am here today representing TAP as its chairman and myself as the managing partner of a small, limited service hotel, the Select Inn of Bismarck. I am here today in support of adequate marketing funds for the North Dakota Tourism Division.

Before addressing the specific issues relating to SB 2258, a review of its history would be helpful. In the 2003 session this tax was enacted by a narrow margin in both chambers. We felt the tourism budget was woefully under funded and with a four- year trial we would be able to show the benefit an increased marketing effort would bring to our state. The results are in and they show that this effort has exceeded our expectations. Quoting from Tourism Division accountability research and previous testimony:

Visitors to North Dakota spent more than \$83 million in 2005 as a direct result of advertising by the Tourism Division. For each advertising dollar invested in the U.S. and Canada, the state got \$81 back in visitor spending. The \$1.08 million invested directly in tourism advertising in prime regional markets resulted in 645,700 new trips taken to North Dakota, again yielding more than \$83 million in new visitor spending.

Marketing and creating an image for North Dakota is just part of the job of delivering visitors. Our efforts are also focused on helping tourism businesses succeed. Our printed materials and Web site provide a free listing to tourism businesses of all kinds. The new packages section also provides an opportunity to sell an experience as part of an easy-to-plan-and-buy trip to North Dakota. We offer a grant program to help market attractions, experiences and events and have added a new tourism infrastructure grant program in cooperation with our ED&F division. We assist in helping businesses and communities tell their stories through pitches to the media, and we provide advertising direction and reduced rate advertising opportunities for partners. Our newspaper inserts went into 2 million papers last summer and partners purchased ads for as little as \$1,000.

Tourism businesses are not limited to museums and gas stations. For example, the most popular activity for visitors worldwide is shopping. The new Scheel's mega store in Fargo is one example of destination shopping and provides us with another experience to promote. Art studios, restaurants and coffee shops are all part of the tourism industry.

We are also working with other divisions within the Department of Commerce to help tourism businesses grow. The Development Fund has a tourism segment, APUC will assist with agri-tourism projects, and we are working to help communities define projects and niches that will attract visitors.

According to NDSU research, tourism generated \$3.4 billion in out-of-state visitor spending in 2005. In-house research indicated that \$4.75 million in taxes were paid by visitors who came to North Dakota because of our ads. Those are taxes that we as North Dakotans did not have to pay. There are 30,750 jobs in the tourism industry paying over \$307 million in wages to North Dakotans. Research shows our image is improving, thanks to tourism advertising. The tourism ads aimed at attracting visitors also improve our image both in-state and out-of state.

What is illustrated here is what we all know. Advertising works in general and worked specifically when applied to North Dakota from 2003 to today. It's why huge companies with large market shares make substantial advertising commitments for events like the Super Bowl and why North Dakota should continue to invest in advertising and marketing. I have attached a sheet showing the tax and hence, hotel income growth since the tax was started.

I believe I represent many small tourism businesses in North Dakota without the size, revenues and marketing budget to tell our story on a regional or national level. We rely on North Dakota to lead the way in marketing North Dakota. We can and do follow this lead with our own marketing and advertising in an effort to gain additional sales for our individual businesses. At current levels, we are at least minimally competitive with our neighbors, although we are still in last place with spending of \$3.8 million per year. The next lowest state in our region is Wyoming with \$7.4 million and Minnesota expends \$9.5 million annually. A list of marketing numbers by state is attached. Tourism interest and tourism sales, which translate directly to tax collections from the tourism sector, are at an all-time high. I can tell you as the operator of a small part of the tourism segment, we have seen

unprecedented growth and success directly related to the increased marketing this tax allowed. I can also state we have not had one guest comment to us over the 1 percent difference before or after this tax was initiated.

The Governor's budget raised the tourism budget to \$8.1 million, all funded from the general fund and noted he was allowing the Lewis and Clark tax to sunset. This is about the same level as the 05-07 budget. TAP has long advocated that tourism must be funded at an adequate level, and the preferred revenue source is the general fund. \$8.1 million is not a desired level considering price increases over the past biennium and the possibilities for continued growth. When SB 2258 was introduced we sensed a legislative feeling that the room tax was a more proper source of funding for tourism and without an elimination of the sunset, the budget would be woefully short.

We now believe this is not the case. When passed in the Senate, the debate on SB 2258 centered on the need and desire for tourism funding above the Governor's recommendation, and it passed on that basis. We believe that is the debate today. The tourism budget will be funded at \$8.1 million through the general fund. A vote for SB 2258 is a vote for an increase and a vote for a source of funding. We are requesting more money, but we are also providing a means of generating the money. Additional funds could be used to add marketing, fund tourism projects currently in the tourism budget, fund visitor information centers and a myriad of other needs as decided by the legislature.

Opponents raise several issues. First, that it is a tax on them. It is a tax on their customers, not on them. They collect and remit the tax in the same way every merchant in the state collects and remits state sales tax, city sales tax, city room tax or city bed tax. The tax is not out of line with room taxes charged in other areas. It does not hurt business or we would have seen the result over the past four years. In Bismarck, hotel sales were up 10 percent in 2006 when compared to 2005. Guests ask what the room rate is, nobody asks what the tax is. Second, it is only on the hotel industry. By keeping it narrow, it raises a sufficient amount to do the job and is easily administered by the tax department. There is precedent in the state with the 2 percent room tax which funds the convention and visitor's bureaus in the state. An extension to other segments would be a tax increase on those sales, not an extension of a current tax.

Mr. Chairman and members of the committee, I am here today asking for adequate funding for marketing North Dakota. We have a wonderful story to tell and potential customers need to be told of the value in a visit to our diverse and interesting state. It does not matter if that funding is from the general fund or from a combination of general fund and this tax. We need to keep North Dakota moving forward. Tourism marketing is one of the few parts of the budget that can show a positive return on investment for the state. The outlook for our industry is bright and the future limited only by a few

dollars and our imagination in developing the marketing necessary to attract visitors. Led by the Tourism Division and working together in our cities, attractions and businesses, we can continue to drive more sales into our state, more revenue into our economy and more tax collections into the state treasury. A true win-win for everyone. We are asking for your support for enhancing the tourism budget.

Thank you for the opportunity to appear before you today in support of tourism funding. I would be happy to answer any questions.

**Monthly Collections from
1% Lodging Tax for Lewis & Clark Promotion
Senate Bill 2337 (2003 Session)**

<u>2003-2005 Biennium</u>			<u>2005-2007 Biennium</u>		
		<u>Cumulative</u>			<u>Cumulative</u>
2003			2005		
July	\$ 721.53		July	\$ 43,723.36	
August	\$ 36,027.77		August	\$ 182,475.30	
September	\$ 122,505.23		September	\$ 171,202.48	
October	\$ 135,039.36		October	\$ 137,276.28	
November	\$ 98,855.89		November	\$ 125,243.16	
December	\$ 114,932.55		December	\$ 126,721.16	
2004			2006		
January	\$ 86,443.64		January	\$ 110,803.38	
February	\$ 89,954.88		February	\$ 76,473.57	
March	\$ 87,425.00		March	\$ 97,839.09	
April	\$ 91,052.59		April	\$ 102,558.75	
May	\$ 99,819.13		May	\$ 119,851.84	
June	\$ 90,449.54		June	\$ 124,753.23	
July	\$ 114,511.90		July	\$ 124,184.99	
August	\$ 155,528.45		August	\$ 175,326.84	
September	\$ 136,352.21		September	\$ 158,782.60	
October	\$ 127,792.00		October	\$ 167,020.01	
November	\$ 151,794.10		November	\$ 158,560.32	
December	\$ 100,350.72		December	\$ 121,169.20	
2005			2007		
January	\$ 102,869.11	\$1,942,425.60	January	\$ 127,159.89	\$ 2,451,125.45
February	\$ 94,849.35		February		
March	\$ 91,449.85		March		
April	\$ 92,482.90		April		
May	\$ 110,292.94		May		
June	\$ 155,723.65		June		
Grand Total	\$ 2,487,224.29			\$ 2,451,125.45	

Source: Office of Tax Commissioner

Comparisons by Year

1st Quarter 06 Comparison	
2006	\$285,116.04
2005	\$289,168.31
% Change	-1%

06/05 Comparison	
2006	\$1,537,323.82
2005	\$1,434,309.54
% Change	7%

2nd Quarter 06 Comparison	
2006	\$347,163.82
2005	\$358,499.49
% Change	-3%

05/04 Comparison	
2005	\$1,434,309.54
2004	\$1,331,474.16
% Change	8%

3rd Quarter 06 Comparison	
2006	\$458,294.43
2005	\$397,401.14
% Change	15%

Biennium Comparison Through January of Each Biennium	
2003/2005 July-June	\$ 1,942,425.60
2005/2007 July-June	\$ 2,451,125.45
% Change	26%

4th Quarter 06 Comparison	
2006	\$446,749.53
2005	\$389,240.60
% Change	15%

January Comparison	
2007	\$127,159.89
2006	\$110,803.38
% Change	15%

SB 2258 A

#3

2-27-07 AMV

**Testimony of David Borlaug, President,
Lewis & Clark Fort Mandan Foundation
In Support of SB 2258
House Finance and Taxation Committee
Tuesday, February 27, 2007**

Chairman Belter and Members of the Committee

My name is David Borlaug and I am president of the Lewis & Clark Fort Mandan Foundation. I am also a member of the Tourism Alliance Partnership and a member of the Washburn Area Economic Development Association.

In all of these capacities, I am here to encourage you to join the Senate in approving SB 2258, removing the sunset clause from the lodging tax.

Your support of this change, making permanent something that has done so much good for tourism promotion, is all about just that—promotion and the economic development it generates--marketing our state to the rest of the country and the world. The tax is just a very good tool to getting us where we need to be in properly funding tourism promotion.

If the budget request would have included an appropriate level of funding for tourism marketing, we wouldn't be here today. As you have in the past, you can fix that oversight. You have the opportunity to do that through passage of this bill.

Removing sunsets is nothing new, as you know. In fact, it was back in 1935 that the Legislature passed a general statewide sales tax for the first time. It too had a sunset, one that was extended each and every legislative session until 1965 when it was made permanent. This is a tax we can live with, and one that is doing so much good for our state.

Please keep your options open for appropriate funding of the tourism division by supporting this bill. Thank you very much.

SB 2258 - A
#5 2-27-07 AM



Testimony of Julie Rygg, Executive Director
Greater Grand Forks Convention & Visitor Bureau
Senate Bill: 2258
February 27, 2007

Mr. Chairman and members of the House Finance and Taxation Committee:

I am Julie Rygg, Executive Director of the Greater Grand Forks Convention & Visitors Bureau, and I am requesting your support of SB 2258, which removes the sunset provision from the lodging tax law and allocates revenue generated from this tax to out-of-state marketing.

The funds generated from this lodging tax should be used to enhance the Governor's \$8.1 million recommendation for North Dakota's tourism marketing efforts.

Tourism has been designated as one of the top sectors of economic growth in North Dakota. We need to have mechanisms in place to support the current funding level as well as enhancing it to continue this growth and be on a level playing field with our closest competitors. Additional funds are also needed to produce new programs, which assist with tourism growth throughout the state.

The 1% statewide lodging tax has benefited North Dakota through image marketing, partnership opportunities and promotional events. Specifically to Greater Grand Forks, it has meant promoting North Dakota to Canadians through advertising and promotional efforts that had not been done for many years. Canadian visitors are so important to our local economy, and we rely on the efforts of the ND Tourism Division to assist with bringing them here. It is especially important now with an improving Canadian exchange rate.

This is a crucial time for us to be aggressive in our marketing and sales efforts to entice new and repeat visitors to our great state. To continue such programs and create new ones, the ND Tourism Division needs the dollars generated through this tax.

Again, I urge you to support removing the sunset from the 1% statewide lodging tax.

Thank you for your time and consideration.

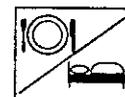
Respectfully,

Julie Rygg

#6 SB 2258 - A
2-27-07 AM



ND's Restaurant, Lodging & Beverage Association



P.O. Box 428 • Bismarck, ND 58502 • Phone: 701-223-3313 • Fax: 701-223-0215
E-mail: ndha@btinet.net • www.ndhospitality.com

Finance and Tax Committee
North Dakota House
February 27, 2007

SB 2258 (1% tax on hotels—remove sunset)

Chairman Belter and members of the Committee, my name is Robert Harms. I am a lobbyist for the North Dakota Hospitality Association, which has over 350 members in the industry, including the state's hotel sector. The North Dakota Hospitality Association **opposes SB 2258** for the following reasons:

First, when the 1% sales tax was proposed in the 2003 session it was described as advertising dollars necessary for the promotion of the Lewis and Clark Bi-centennial event and that it was only going to be a temporary tax on our industry.

Second, the bill is not necessary. The revenue that has been raised by the 1% tax on our industry is already included in the Governors budget for the Tourism Division. In other words, the Governor saw fit to include sufficient funding for the Tourism Division and presumed the tax would go away as the sunset provision intends.

Third, claims by the proponents that a \$10 million fund is necessary to properly market North Dakota and will be returned to the state are not proven, nor can they be substantiated. No facts have been presented to sustain the claim. (Increases in any "tourism" funds include new restaurants, ND citizens spending for dinner, visits to other communities, economic activity (e.g. the oil industry) ---all are counted as "tourism" dollars.) And much of the tax—we estimate approximately 50%-- is paid by North Dakota citizens themselves, who travel in state.

Fourth, if we need more revenue to "market" North Dakota, then as a matter of tax policy we should not impose a tax on a single industry to promote a broader public interest. The tax should be imposed on the public at large to support the "public interest".

Finally, North Dakota HAS enough revenue today. We should not be extending or raising any taxes in current revenue picture. So, for these reasons we urge a DO NOT PASS recommendation on SB 2258.