

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2346

2007 SENATE FINANCE AND TAXATION

SB 2346

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2346**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 5, 2007

Recorder Job Number: # 2773

Committee Clerk Signature

*Sharon Benjow*

Minutes:

**Sen. Urlacher** called the committee to order and opened the hearing on SB 2346.

**Sen. Wardner** introduced SB 2346 stating it is a sales or gross receipts from sales tax exemption on goods that are sold in the non-profit thrift stores. Proceeds going to non-profit organizations.

**Sen. Urlacher**: are you aware of the FN?

**Answer**: No.

**Dianne Sheppard**: from the ARC in Grand Forks appeared in support with written testimony.  
(See attached)

**Mike Schwab**: Executive Director of the ARC in Bismarck appeared in support with written testimony. (See attached)

**Sen. Horne**: do you receive any State or Federal funding?

**Answer**: we do apply for small grants here and there, it's a reimbursement program we don't receive any revenue from that or anything.

**Sen. Urlacher**: you get donated items through the thrift shop and then you distribute and establish a price for that?

**Answer**: we have a price guide that we follow

**Sen. Horne**: are any others affected, Boys Ranch, etc?

**Answer**: my understanding is the Salvation Army has various thrift stores, the Dakota Boys Ranch, the Abused Resource Center, the language I believe is for non-profits that are 501-C3 organizations and I believe all of those would fall under that category.

Jack McDonald: on behalf of the ARC and I would just support what the others have said and emphasize one other thing. Any group that operates a regular thrift store, the other problems we have is that most of these stores do not have much if any kind of equipment or sophisticated equipment to determine this sales tax. They don't have the fancy cash registers, so calculations have to be made by hand held calculators. The calculation of sales tax does get to be a difficult process. This exemption will not only to keep the price down it will also alleviate the expense of these organizations sending the sales tax in.

**Sen. Oehlke**: do any of the thrift stores also have gaming operations?

**Answer**: some do, but not all do, they also get hit by paying an excise tax on the gaming proceeds as well.

**Sen. Cook**: do they pay property tax?

**Answer**: I believe they do not, not sure, I believe they are exempt.

**Sen. Horne**: when was tax reinstated?

**Dianne Sheppard**: it was several years ago, it wasn't reinstated, we never did pay sales tax but it was implemented about 10 years ago when the general fund was short. Also to verify something, the ARC of Grand Forks is the only ARC in the State that conduct charitable gaming, the other issue is that we are all exempt from property tax but we do pay specials.

**John Risch**: United Transportation Union stating we'd like to support this bill because its target is really the tax relief is for what we're working for low income folks in this State. In

addition, this is for the most part used clothing and its sales tax has been paid at least once and feels it's a good step to take.

**Stan Stelter**: Abused Adult Resource Center in Bismarck appeared in support stating the thrift store for us is a very significant part of our income becoming more so every year.

**Bob Frantsvog**: ND League of Cities: appeared in opposition stating because the elimination of a sales tax would be further erosion of local sales tax collections for the political subdivisions. Our position is if these revenues are going to be reduced then we have less money for economic development and other types of activities that will also be a benefit to these people.

**Miles Vosberg**: Tax Dept. Appeared neutral on the bill to explain the fiscal note.

**Sen. Cook**: The figure \$7,000 is that local sales tax that's not collected or is that the share that the locals get through the State Aid Distribution?

**Answer**: State Aid

**Sen. Cook**: this FN does not reflect the local tax then?

**Answer**: Correct

**Sen. Oehlke**: does that mean then if we pass this and there wasn't a 5% tax the city and local entity could still charge their 1 12/% tax?

**Answer**: the taxable base needs to be the same between the State and the local so if it's exempt for State purposes, the cities also lose their local taxes.

Closed the hearing.

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

**Sen. Triplett**: convinced me was the analogy to farm machinery that Sen. Wardner used that really tended to put a sales tax on new products and then dumped it from used products and

one of the other ones where that a fair amount of the extent that the new clothing was once purchased in the State of ND and sales tax already collected on it

**Sen. Anderson**: it would also eliminate local sales tax in revenues which in deed are used for economic development in the case where I was. When I look at \$57,000 I have to support this bill.

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

# FISCAL NOTE

Requested by Legislative Council

01/22/2007

Bill/Resolution No.: SB 2346

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
<b>Revenues</b>			(\$653,000)	(\$57,000)		
<b>Expenditures</b>						
<b>Appropriations</b>						

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 2346 creates a sales tax exemption for sales by thrift stores owned and operated by nonprofit corporations.

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.*

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.*

If enacted, SB 2346 will reduce state general fund and state aid distribution fund revenues by an estimated \$710,000 in the 2007-09 biennium.

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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/02/2007



**REPORT OF STANDING COMMITTEE**

**SB 2346: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2346 was rereferred to the Appropriations Committee.**

2007 SENATE APPROPRIATIONS

SB 2346

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2346

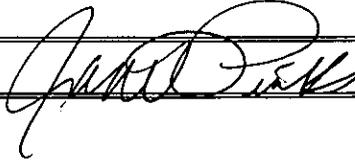
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 2-12-07

Recorder Job Number: 3373

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on SB 2346 a bill from finance and task.

Senator Rich Wardner, District 29, Jamestown, introduced SB 2346 which is a sales and use tax exemption for sales by thrift stores. This is for second hand merchandise and the monies from the process are used to support non-profit organizations.

Chairman Holmberg indicated Senator Wardner served on the Finance and Tax for years and you have noticed how we have made the base narrower and narrower at what point does the whole structure and we are unable to sustain state government and have to put tax on food or another area. The response was that is a good point but in reference to these organizations and what they do in the community more then makes up for it and take care of some of the issues that could be supported by tax dollars..

Senator Grindberg indicated the money doesn't go to organizations it goes to the individuals buying products. The answer was that is correct.

Senator Bowman indicated he needed this clarified. The response was all of the merchandise is used and resold, it is the customer that is paying the tax but without the tax, it will bring more people into the store.

Chairman Holmberg indicated that one of the problems when looking at the sales tax and where it is collected is that more and more of our economic society has to services which

would not be taxed so, at what point do we say goods and services are good, we're not buying enough goods so lets go to services. You make a good case for this as a marketing tool.

Additional sales tax discussion took place regarding the definition of gross receipts, the difference between sales and use tax, and whether there is sales tax on auction or consigned goods.

Mike Schwab, Executive Director, Arc of Bismarck and Cass County, presented written testimony (1) testifying in support of SB 2346. He indicated that if the people don't pay the sales tax on items they have more spendable money and buy more items. He indicated the ARCs do not receive any state or federal funding to operate and they provide disability advocacy and education on behalf of people with disability and their families.

Chairman Holmberg asked that of the organizations Mike Schwab represents between SB 2225 and SB 2346 which is higher priority. The response was that he supports both but if he had to he would choose SB 2225.

Connie Kathrein, Executive Director, The Arc of Dickinson Inc., presented written testimony and testified in support of SB 2346. She described where the Arc provides funding and what they support.

Dianne Sheppard, Grand Forks, Executive Director, The Arc of the Valley, testified in support of SB 2346 indicating that the ARC of the Valley is the only charitable thrift store that also operates chairitable gaming. Their organization does not pass on the tax to the patron, they absorb it because it is used merchandise.

Senator Grindberg indicated you are passing on a produce and you have no cost involved on that product. The response was we take in gross sales and net 1/3 of gross sales and this cost is the labor.

Senator Krebsbach indicated if you have something on the floor for \$2 and they haggle to get it for \$1, do you pay tax on the \$1 or \$2. The response was on the \$1 but we don't haggle.

John Risch, Legislative Director, for United Transportation Union Railroad Workers across ND, testified in support of SB 2346.

Senator Krebsbach indicated this is for only non-profit shops, am I correct in stating that other used consignment shops would still be liable for the tax. The response was if they are not a 501c this repeal of tax would not affect them.

Jack McDonald, Lobbyist, presented written testimony in support of SB 2346. The written testimony shows the organizations that would be affected by this legislation.

Senator Wardner moved a do pass on SB 2346, Senator Mathern seconded. A roll call vote was taken resulting in a 7 yes, 7 no, 0 absent vote. The vote tied.

Senator Grindberg moved a do not pass on SB 2346, Senator Fischer seconded. A roll call vote was taken resulting in 9 yes, 5 no, 0 absent.

Date: 2/12  
Roll Call Vote #: 1

**2007 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2346**

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DP

Motion Made By Wardner Seconded By Mathern

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) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

DP

Date:  
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2346

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken

WO Rec DWP

Motion Made By

Grindberg

Seconded By \_\_\_\_\_

*motion  
to Grindberg  
on recording  
this is  
DWP  
not  
wo Rec*

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) 9 No 5

Absent 0

Floor Assignment Horn Fin Tax

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

REPORT OF STANDING COMMITTEE (410)  
February 12, 2007 2:53 p.m.

Module No: SR-29-2933  
Carrier: Horne  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2346: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO NOT PASS (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). SB 2346 was placed on the Eleventh order on the calendar.**

2007 TESTIMONY

SB 2346

SB 2346 – Sales Tax Exemption for non-profit Thrift Stores

Senate Finance & Taxation Committee

Senator Urlacher – Chairman

February 5, 2007

Chairman Urlacher and members of the Committee, my name is Mike Schwab, Executive Director for The Arc of Bismarck. I am representing The Arc of Bismarck and The Arc of Cass County today.

I am here today asking for you to support SB 2346 – sales tax exemption for Thrift Stores owned and operated by non-profit 501 (c)(3) organizations.

The Arc of Bismarck owns and operates a Thrift Store located in Bismarck and The Arc of Cass County owns and operates 2 Thrift Stores in Fargo. For both of our organizations, the Thrift Stores bring in the majority of our operating revenue. This is the case with most non-profits that own and operate Thrift Stores. The Arc's do not receive any consistent state or federal funding to operate. The Arc's provide disability advocacy and education on behalf of people with disabilities and their families. We have various programs and services established throughout the state that are of a benefit to people with disabilities and their families as well.

People with disabilities are often times employed at our Thrift Stores. This would be one less calculation for employees to have to track and collect. It would ease some of the administrative work of having to collect and submit sales tax information on a daily and quarterly basis.

By allowing our Thrift Stores to be exempt from sales tax, we can make some of our items more affordable to those who shop and support our organizations. It is our hope that more individuals will shop at our Thrift Stores because of the fact that we would be exempt from sales tax. Customers take into consideration the total amount of money they spend. If you don't have to pay sales tax, you can afford to purchase a couple of additional items that you may not have been able to afford otherwise.

In Bismarck, just like other urban cities, we have been experiencing a tremendous amount of growth, especially when you are talking about retail

growth. Retail stores like Super Wal-Mart, Super Target, consignment stores, Old Navy and others have made it hard on Thrift Stores and the non-profits who own and operate them.

With the passing of SB 2346, we are hoping that we can bring in new customers and bring back some of the old customers that we lost because of the retail growth in ND. If our organizations are able to bring in additional revenue, we are able to offer more services, supports and activities to the communities that we serve. Please support the passage of SB 2346.

I will try and answer any questions that you may have.

Respectfully Submitted,

Michael D. Schwab  
The Arc of Bismarck  
The Arc of Cass County



February 5, 2007

**TO: SENATE FINANCE & TAXATION COMMITTEE**

**FROM:** Dianne Sheppard, Executive Director  
The Arc, Upper Valley/The Arc of North Dakota  
2500 DeMers Avenue  
Grand Forks, ND 58201  
701-772-6191  
[dsheppard@arcuv.com](mailto:dsheppard@arcuv.com)

**RE: SB 2346**

Senator Urlacher and committee members: My name is Dianne Sheppard. I am Executive Director for The Arc, Upper Valley in Grand Forks and an official spokesperson for The Arc of North Dakota. I ask that you support SB 2346.

There are a number of nonprofit corporations in North Dakota which rely heavily on the proceeds from their thrift store to fund their mission. The Arc is a prime example. The Valley Thrift Shoppe in Grand Forks is our biggest and most stable source of funding for our organization.

Exempting nonprofit corporations from paying sales tax is not a new thought. Nonprofits had this exemption in the past. The sales tax on nonprofits was implemented due to a shortfall in the general fund.

People who donate merchandise to an organization's thrift store do so to help fund the mission of that organization. People who volunteer to work in those thrift stores do so for the same reason. Customers who shop in thrift stores do so for a variety of reasons, but for many buying second hand is what they can afford. These customers take into account the total cost of the sale, not just the cost of the purchased item. Minnesota does not have a sales tax on thrift sales, and we do have customers who will drive the few extra miles across the Red River to East Grand Forks to avoid the sales tax. So, in an effort to keep prices as affordable as possible for our customers, we often absorb the sales tax for them.

**[OVER]**

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2500 DeMers Ave.  
Grand Forks, ND 58208-2420

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**Education, Research and Advocacy**

*for children and adults with cognitive, intellectual, and developmental disabilities*

Thrift stores are also limited in what they can ask for used merchandise. Used clothing for example is only going to be worth so much. Raising prices to cover the cost of inflation does not work when selling second-hand merchandise.

The cost of operating a thrift store has been accelerating. Operations are labor intensive, and the high cost of energy and liability insurance is eating away at net proceeds. The anticipated minimum wage increase will also have an impact on available net proceeds.

Passing SB 2346 will help nonprofit corporations like The Arc keep more of their fund raising dollars to support their mission and will result in lower and more affordable clothing and similar merchandise for people with developmental disabilities and others with limited incomes.

Thank you for your consideration. I would be happy to respond to any questions you may have.

The Arc is an advocacy organization. The Arc advocates for the rights and full participation of all children and adults with intellectual and developmental disabilities. Together with our network of members and affiliated chapters, we improve systems of supports and services; connect families, inspire communities and influence disability policy.

(2)

Senator Holmberg and members of the Senate Appropriations Committee:

My name is Connie Kathrein. I am the Executive Director of The Arc of Dickinson Inc. I am here today to urge you to vote Yes on SB 2346, the bill that exempts thrift stores from the sales tax.

Incorporated in 1975, The Arc of Dickinson works to include all children and adults with cognitive, intellectual, and developmental disabilities in every community.

Guided by this mission statement, The Arc of Dickinson owns and operates the Arc Aid Thrift Store. The Arc Aid the primary fund raising mechanism for The Arc.

The following partial list will give you an idea of where the proceeds from the Arc Aid have gone over the past two years to benefit people with developmental disabilities, in our community.

Heart River Elementary School to providing Alpha Smart Computers, Elder Care Transportation to support local accessible transportation, Special Olympics, Camp ReCreation in Richardton, and to purchase washers and dryers for individuals with developmental disabilities who moved into their own apartments.

Proceeds were used to send a Dickinson Police officer to Seattle, Washington, to attend a specialized training. The Arc hosted monthly Dinner and Dance Socials in Dickinson for consumers and family as well as staff of area service providers.

We continue to payment of the mortgage and to subsidize the maintenance costs of six group homes, two apartment buildings and the ABLE Inc. Administration building in Dickinson. We replaced old furnishings in the common area of one of these apartment buildings and painted the walls.

Dickinson Public High School is given use of an apartment in one of our buildings to use as a teaching facility for 5<sup>th</sup> year students.

The Arc Aid is a work station for ABLE Inc., for people with developmental disabilities to gain employment skills and have regular employment. The Arc Aid serves as an outlet for the Able Inc. "Made to Order Store" in Bowman. We sell rugs, quilts and unique items that they create to sell to the general public.

We provide funds to The Arc of North Dakota for "The Braddock Report", a report on the structure, financing and quality assurance of residential and community services in North Dakota.

And as a special project, The Arc built an accessible deck for a family with a child who uses an electric wheel chair for mobility.

The generous donations received from southwestern North Dakota are prepared for sale by the 45 strong, volunteers work force that spend countless hours washing, fixing

and cleaning items. They are charged with the great task of helping raise money to support the above stated activities of The Arc.

Our business is dependant on donations of sellable items we receive from the general public. People in communities surrounding Dickinson bring items they don't use, to us. This is not just for the donations slip they use for a tax deduction.

This makes them feel good, because they are recycling. They know we will take their items and do our best to resell them. Many people see their only other option is to fill the city landfill.

They see us putting our Mission Statement into action by employing people everyday who have developmental disabilities right in the store. Sometimes they know more about what is going on in the store than I do.

More times than not, these same people who bring donations stay in the store and shop. They find all kinds of treasures that they are glad someone else donated!

Even with our best intentions, we too have to use the landfill. But we do our best to recycle and support other entities. We give material to the Bowman "Made to Order Store" and local church groups that make quilts for the needy. We have developed an outlet for clothing we can't sell with a Mission.

Even though the state of North Dakota has money in the bank, many of the people we see come through our doors do not. We see poor families, who don't choose to shop at the thrift store, they have no choice. They need to stretch there dollar. We also see transient workers who are not prepared for our climate come in need of extra clothing. An expense they did not anticipate.

It is regularly a surprise to people that we charge a sales tax. It seems to take away the uniqueness of our operation. For the most part people just pay the tax. One man told me that asking for the sales tax on donated items took away the joy of giving it in the first place.

We believe that people donate these items expecting us to do our best to raise money for our cause. That is why they support us with their generous donations. We also believe that people will feel even better about shopping at our thrift store if they know the money spent there, stays there!

The volunteers and board members are committed to continue to support the mission of The Arc and improve the quality of life for our constituents.

We respectfully ask your support in doing this by voting yes on SB 2346.

Thank you for the opportunity to address this committee.

Connie Kathrein, Executive Director  
The Arc of Dickinson Inc.  
701-483-4272

February 12, 2007

SENATE APPROPRIATIONS COMMITTEE  
SB 2346

CHAIRMAN HOLMBERG AND COMMITTEE MEMBERS:

My name is Jack McDonald. I'm appearing here today on behalf of The Arc of North Dakota. We ask that you give SB 2346 a DO PASS.

Many North Dakota nonprofit corporations rely heavily on the proceeds from their thrift stores to fund their mission. The Arc of the Upper Valley in Grand Forks is a prime example. The Valley Thrift Shoppe in Grand Forks is the biggest and most stable source of funding for that organization.

Other thrift shops that would be affected by this legislation include:

Bismarck

The Dakota Boys Ranch  
The Salvation Army  
Aid, Incorporated  
The Abused Adult Resource Center  
The Arc of Bismarck  
Hodge Podge

Grand Forks

Valley Thrift Shoppe, The Arc, Upper Valley  
Salvation Army Thrift Store  
Another Chance Thrift Store by  
Dakota Boys & Girls Ranch  
Home Place Thrift Store  
St. Vincent De Paul Thrift Store  
Success Unlimited Thrift Store  
Easter Seals Goodwill Thrift Store

Wahpeton

Red River Human Services, Fargo, operates a thrift store in Wahpeton.

Dickinson Area

The Arc Aid Thrift Store operated by The Arc of Dickinson, Inc.  
Cedar Chest in Bowman operated by the Little Missouri Arc  
Community Clothes Closet in Hettinger

Fargo

Dakota Boys Ranch  
St. Vincent DePaul  
New Life Center

Valley City

Thrifty Shop, The Arc of Barnes  
County

Minot

Closet Connection  
Dakota Boys Ranch 2d Chance  
Store  
Easter Seals Goodwill Retail  
Store  
Restore

[OVER]

Exempting nonprofit corporations from paying sales tax is not a new thought. Nonprofits had this exemption in the past. The sales tax on nonprofits was implemented due to a shortfall in the general fund in 1987.

People who donate merchandise to an organization's thrift store do so help fund the mission of that organization. People who volunteer to work in those thrift stores do so for the same reason. Customers who shop in thrift stores do so for a variety of reasons, but for many buying second hand is what they can afford. These customers take into account the total cost of the sale, not just the cost of the purchased item. Minnesota does not have a sales tax on thrift sales, and we do have customers who will drive the few extra miles across the Red River to East Grand Forks to avoid the sales tax. So, in an effort to keep prices as affordable as possible for our customers, we often absorb the sales tax for them.

Thrift stores are also limited in what they can ask for used merchandise. Used clothing for example is only going to be worth so much. Raising prices to cover the cost of inflation does not work when selling second-hand merchandise.

The items sold at these stores have already been taxed once. Why tax these items a second time for sales to persons of low income?

The cost of operating a thrift store has been accelerating. Operations are labor intensive, and the high cost of energy and liability insurance is eating away at net proceeds. The anticipated minimum wage increase will also have an impact on available net proceeds.

Passing SB 2346 will help nonprofit corporations like The Arc keep more of their fund raising dollars to support their mission and will result in lower and more affordable clothing and similar merchandise the developmentally disabled and those with limited incomes.

Thank you for your consideration. I would be happy to respond to any questions you may have.

✓ (1)

SB 2346 – Sales Tax Exemption for non-profit Thrift Stores

Senate Appropriations Committee  
Chairman – Senator Holmberg  
February 12, 2007

Chairman Holmberg and members of the Committee, my name is Mike Schwab, Executive Director for The Arc of Bismarck. I am representing The Arc of Bismarck and The Arc of Cass County today.

I am here today asking for you to support SB 2346 – sales tax exemption for Thrift Stores owned and operated by non-profit 501 (c)(3) organizations.

The Arc of Bismarck owns and operates a Thrift Store located in Bismarck and The Arc of Cass County owns and operates 2 Thrift Stores in Fargo. For both of our organizations, the Thrift Stores bring in the majority of our operating revenue. This is the case with most non-profits that own and operate Thrift Stores. The Arc's do not receive any consistent state or federal funding to operate. The Arc's provide disability advocacy and education on behalf of people with disabilities and their families. We have various programs and services established throughout the state that benefit people with disabilities and their families.

People with disabilities are often times employed at our Thrift Stores. This would be one less calculation for employees to have to track and collect. It would ease some of the administrative work of having to collect and submit sales tax information on a daily and quarterly basis.

By allowing our Thrift Stores to be exempt from sales tax, we can make some of our items more affordable to those who shop and support our organizations. It is our hope that more individuals will shop at our Thrift Stores because of the fact that we would be exempt from sales tax. Customers take into consideration the total amount of money they spend. If you don't have to pay sales tax, you can afford to purchase a couple of additional items that you may not have been able to afford otherwise.

Thrift Stores receive used merchandise that is donated by members of the public. The individuals who are donating the items to our Thrift Stores have

already paid sales tax on the merchandise when they originally purchased the merchandise new. We are taxing the merchandise twice.

In Bismarck, just like other urban cities, we have been experiencing a tremendous amount of growth, especially when you are talking about retail growth. Retail stores like Super Wal-Mart, Super Target, consignment stores, Old Navy and others have made it harder on Thrift Stores and the non-profits who own and operate them.

The Salvation Army, AID Incorporated, the Dakota Boys & Girls Ranch, The Arc's, The Abused Adult Resource Center and others could potentially benefit from the passage of SB 2346.

With the passing of SB 2346, we are hoping that we can bring in new customers and bring back some of the old customers that we lost because of the retail growth in ND. If our organizations are able to bring in additional revenue, we are able to offer more services, supports and activities to the communities that we serve. Please support the passage of SB 2346.

I will try and answer any questions that you may have.

Respectfully Submitted,

Michael D. Schwab  
The Arc of Bismarck  
The Arc of Cass County