

2009 HOUSE FINANCE AND TAXATION

HB 1200

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB1200

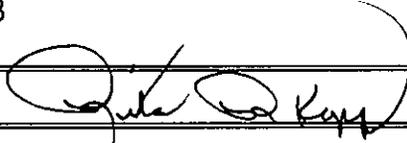
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 14, 2009

Recorder Job Number: 6958

Committee Clerk Signature



Minutes:

**Chairman Belter:** We will open the hearing on HB1200.

**Representative George Keiser:** It is a pleasure to be with you and to bring to you a simple one page bill that may generate some degree of interest. I don't know how many people are going to support my position; but I hope that when it comes to the vote that you will support this bill. I cannot count the number of times I have hear legislators say to constituents, including myself, that property tax is a local issue. Don't complain to me. Go talk to your city, your school board; the State Legislature does not have a role in that. That's not quite true; the state has a big role in property tax and is responsible for property tax in certain situations. Today I bring to you a policy decision in regard to the state's role in property tax. We have in statute that non-profits are nontaxable. What that means is they are exempt; they don't pay property tax. That means that those who aren't exempt have the pleasure of paying property tax. What are the implications? There is a distinct difference between rural communities and larger urban areas in our state. I have brought a graphic for the committee. Everything you see in color in nontaxable in the city of Bismarck. The people who live in the white areas get to pay 100% of the property tax in the city of

Bismarck. Other urban areas aren't that different from this. I hope you can see that the difference between taxable and nontaxable is significant, especially for some communities. That is state policy; the State Legislature has determined that these people will not pay property tax. I really do, in general, support that. There are reasons nonprofits do not pay for certain services or taxes. However, we do expect nonprofits to pay for essential services. Do you sincerely believe nonprofits should pay the water bill or that the state should? Sewer? Those are city services. Should they pay for the sidewalk? Why not? We don't require them to pay property tax so why shouldn't they be exempt from the city, county, school board fees? Why not? I would argue that that is okay that they pay for most of the other services, but I would further argue that emergency services are essential services and that there is no entity that should be without coverage from emergency services, i.e. police, fire and that sort of thing. Relative to that, I have a handout for the committee (**Attachment 1**). This is the budget for the City of Bismarck which shows that the total public safety costs for 2009 are \$17,115,458. This is the expense in the general fund for all the City of Bismarck- \$32,846,455. We have \$17,000,000 in public safety expense and all the other departments combined account for the other portion of the city budget. When we look at the total city public safety cost of \$17,115,458 and all the properties that pay taxes levied in Bismarck generate \$9,700,000. The City of Bismarck has sales tax and they use part of that sales tax to supplement the necessary property tax so the actual property tax related income is almost \$15 million. About 50% of property holders in our city get to pay 100% of \$15,000,000. That gives you a background of the magnitude of the problem. What does this mean to us? You, in your wisdom, passed a great program of tax building. I don't know what happened in your district, but technically

I saw some tax relief. I still am paying 100%, along with other taxpayers, of these very essential services. What does this bill do? It is enabling. If property tax is a local issue, this bill says that local political subdivisions will be granted the authority, if they choose, to assess for emergency services. That's how simple the bill is. It doesn't say they have to; it simply says they may.

Something is not quite right with our current taxing situation. The user should be willing to pay for the services they use. Someone from the YMCA will speak today. They are tax exempt and want to be tax exempt. How many taxpayers in Bismarck use the YMCA? They are all subsidizing it.

What about the hospitals? I must recognize that I am on the hospital board here and they are probably not real excited that I have this bill before you, but I do because I believe in it. What about the hospitals? We have two extremely outstanding healthcare facilities here. The reality is

they say to me that you want us to reduce the costs. This bill will increase operational costs and our patients are going to have to pay more. I tell them that is correct. I don't have the percentages here; but if I had to guess, I would say that 50% of people who use our healthcare facilities do not live in the district. Therefore, the people who do live here are paying 100% of that \$17 million. Is that fair? I can see my hospital bill going up a little bit, but I can also hopefully see my taxes going down. One of the problems that I see from a policy approach is that the Governor's approach is not a good approach in my opinion. We are going to throw more money at it. We are going to give them \$300 million this year instead of \$200 million. That's going to work for awhile, but there is going to come a day when we will be like Minnesota, California, New York, and all those states now in a deficit position. They are cutting services left and right and that's not good policy.

Classroom size in New York is expected to increase by 10 to 20 students per classroom. Is that

good policy that we have established? If our solution was to throw money from the state to political subdivision in the form of property tax reduction, we ultimately have a day of reckoning. If our solution is to begin to look at the infrastructure of our tax system and make reasonable changes, we have an opportunity to reposition ourselves and succeed. I believe that this is one form of attempting that repositioning, that restructuring that is the right thing to do. People should be paying their fair share. The reality is that communities get raided in terms of fire coverage. That, in turn, determines your premium. You will notice that every once in awhile Bismarck builds a new fire station. Is it because we are excited about building a new fire engine? We need to really, in part, because we are providing security and coverage for new areas. By building new fire stations, we reduce the premiums. One of the arguments I hear is that we are robbing Peter to pay Paul.

The state has to help the city of Bismarck, because this building is here, to meet the fire code for this building since this building is the only skyscraper in Bismarck and we have to have a ladder truck that reaches a certain level of this building or we get dinged for it. Then our rating goes down and our premiums citywide go up—even though we only have one building. We need to provide the good service and we are going to be robbing Peter to pay Paul, but right now you are robbing 50% of the Pauls, the people who don't have the loophole of not paying for those services. I argue that that is not right so on behalf of those people, I come to you and say let's look at a change in the infrastructure. I believe, in all honesty, these nonprofits are good corporate citizens. They bring great services, great products, great outcomes to our community. We appreciate it and we love them, but we are simply at a point where property tax is out of control. I have extended my property tax on my house using a 3% inflator not in the value of the house, but in the dollars. A 3%

inflator, which is what I have had historically, and in 31 years, I will have paid for my house twice, once for property tax and once for the mortgage. If you honestly believe that nonprofits should not pay for essential services, we should start the debate that we should start paying for their other essential services. Many of them have the property tax exemption and the sales tax exemption. It is an area we need to address.

**Representative Froseth:** Lines 12 and 13 of the bill says “the properties that are subject to taxes levied under this section”, can you briefly describe what properties they are?

**Representative Keiser:** Yes, government schools, hospitals. Some fraternal organizations, I believe, pay this portion.

**Representative Headland:** Very thought provoking. I am assuming your intent is that if the local subdivision chooses to place a tax burden on these exempt properties, they will not be able to choose winners and losers; they will have to place on all if they place on one.

**Representative Keiser:** This bill simply enables them to make a determination of whether to do that or not. I would assume that as a local control issue that they could consider how they want to approach that.

**Representative Pinkerton:** You are seeking fairness here and I am sure we all realize that life isn't completely fair. Is it fair to make the church pay the same, based on a square footage or other value, for police protection as a bar?

**Representative Keiser:** I haven't thought about that question, but let me give you a different example, ie. parks and rec. How many games are being played on softball fields? What is the risk of exposure or utilization? I believe that the local subdivision can develop an approach, in lieu of taxes or some other approach of assessed value on which to determine the amount to

be paid. On the other hand, they do that with every commercial building. We don't worry about whether a company is profitable; they get to pay the property tax.

**Representative Pinkerton:** Unless we change the entire system to insure for fire and police protection, what are the other big dollar items here? Making them pay is really not fair either because they are not consuming much police protection. I don't recall the last time anyone called the police to my church or the YMCA. They are not big users like the bar down the street. Many of these buildings have significant fire protection built into them like commercial buildings—you know that fire insurance treats these buildings in vastly different ways. These properties almost all have fire protection, the YMCA, the church, etc.

**Representative Keiser:** Of course they do.

**Representative Pinkerton:** Isn't 2-3% of that premium directed to a different fund to help pay for that?

**Representative Keiser:** All premiums collected in the state have a small amount going into a fund to cover exposures that, for whatever reason (if an insurance company becomes insolvent), they are covered from that fund. It is there and it covers them if that church burns down and the insurance company they were with is no longer there, they would still be reimbursed.

**Representative Pinkerton:** You are trying to create fairness, but there is unfairness there no matter how we go. This is not the traditional way we have taxed property through the years. It is like we have lots of other traditions in the US. If you want to talk about fairness, is agricultural property tax fair? Is taxing commercial property double the residential rate fair? There is a lot of unfairness there. Why would we want to take this particular piece and try to create fairness here, rather than look at the entire picture?

**Representative Keiser:** You are on this committee. That's your job. You have full authority

to turn in every fairness bill you want. This is mine and it goes at the infrastructure. I want to come back to your first question. It is totally unrelated. The fact that because we do buy insurance, we should be paying the premium for nonprofit's fire insurance because they are a good entity, along with water, sewer and anything else so they don't have any exposure whatever is not real. The reality is that everybody who pays a premium in this state has a portion that goes into the emergency fund in case there is a default. It benefits all parties equally.

**Representative Froelich:** You said you were on city council. Help me out here. How does the city handle federal buildings?

**Representative Keiser:** I can't remember if it is lieu of taxes on that or not. It might be.

**Representative Winrich:** I know that some state agencies make payments instead of taxes. Do all state agencies make payments instead of taxes to local jurisdictions?

**Representative Keiser:** No, I know that for a fact. We very consciously, for example, when we approved the appropriation for the WSI building, required, as part of that legislation, that they continue to pay full property taxes and they do. It was considered to be an insurance company that was also leasing that space. There are examples where out of general fund, they may be paying property tax. WSI is an example. They are good corporate citizens and are paying 100%, not just police and fire, but 100% of the property tax assessed against them.

**Representative Winrich:** Is there any estimate of how that might impact the budget if the universities and so on were to make similar payments to local jurisdictions?

**Representative Keiser:** It is up to the local jurisdiction to develop their formula, as they do now. Their mill levy and property assessments were in lieu of taxes; that is the strategy they frequently use.

**Representative Grande:** How did you come up with this particular four out of a list of 24 examples? Why these four?

**Representative Keiser:** I went to Legislative Council and explained that our goal was to tax emergency services. Some of the other nonprofits actually do pay property tax, I believe. I think you have to be a 501C3 to be exempt from property tax or a government entity.

**Representative Grande:** I am not advocating you add to your list, but there are seven churches not on the list. Unless we have an updated code, (inaudible). On your map, is the airport exempt? So they are never going to use police and fire out there?

**Representative Keiser:** The airport, for your information, is what is called an enterprise zone; it is self funding. They charge landing fees, they charge a fee for passengers, they get revenue off the fueling and concessions, rental of space, etc. The airport takes no general fund dollars from the City of Bismarck. They clearly receive police and fire service. Should they be responsible for assuming some of this and taking it off the backs of the 50%? Absolutely.

**Representative Grande:** Maybe we just need clarification of those four.

**Chairman Belter:** Any further questions? Any further testimony in support of 1200? Any opposition to 1200?

**Laurie Kirby, President of Board, YMCA:** I am a resident from Bismarck and I am here to represent the Y and oppose this bill. At the present time, the YMCA provides numerous services to meet the needs of the young and senior citizens. At a time when contributions are down, we would find this to be a burden and we could not supply the kinds of programs we currently provide. In addition to that, the presence of facilities like the Y and other nonprofits in the community, add to the attractiveness of the community when businesses are trying to expand and bring economic development to the city. The imposition of these taxes would

discourage organizations such as the Y from expanding. In the long run, it would be counterproductive to the city's economic development plan.

**Chairman Belter:** Any further testimony in opposition to 1200?

**Arnold Thomas, President of North Dakota Healthcare Association: (Testimony 2)**

**Chairman Belter:** Any other opposition to 1200?

**Dana Schaar, Director of ND Association of Nonprofit Organizations:** I am here to introduce **Gayla Sherman, Co-Executive Director of Charles Hall Youth Services**, who will present out testimony.

**Gayla Sherman: (Testimony 3).** I would like to deviate from my remarks to say that Charles Hall Youth Services do pay sales taxes. In many states across the nation, nonprofits like Charles Hall Youth Services do not pay tax. We are already burdened with sales tax and we would have to cut services to pay additional tax.

**Beverly Adams, Executive Administrator, HPC (Health Policy Consortium including All True in Grand Forks, Medcenter One in Bismarck, Meritcare in Fargo, and Trinity in Minot):** We take the same position as Arnold Thomas so eloquently stated. These four organizations are part of the safety net healthcare services provided to the state of ND. As you know, a lot of little hospitals cannot provide every healthcare service available to their population so the larger integrated healthcare systems actually provide services that cannot be provided to outlying smaller healthcare facilities. This organization does provide a huge benefit to the state of ND. Meritcare alone in the past year provided \$61 million in charity care, which means the uninsured or underinsured, and providing teaching opportunities. One of the concepts behind being a 501C3 is that we provide a lot of services to the state that are simply uncompensated. That is one of the benefits of being a nonprofit. I think there is a concept out there that healthcare facilities are loaded with funds and their coffers are overflowing. I want to

tell you that that is definitely not the case. Most of these organizations we represent are barely showing a profit margin and sometimes have negative margins. One of the reasons this is happening is we don't have the ability to charge what the cost of a service is. We are completely subject to what Medicare and Medicaid reimburse us for services. Blue Cross Blue Shield is a monopoly in ND and basically tells us what they will reimburse for services as well. Currently we are looking at the Medicaid rebasing study which hopefully will bring a lot of areas up to cost for Medicaid services. Medicaid is basically 35% below cost and Blue Cross Blue Shield is basically 20% lower than surrounding states. We are in a position where many of the services we provide are being reimbursed below cost and that prevents us from having profit margins so that we can continue to expand. One of the things we are always struggling with is the increasing cost of healthcare. For instance, when recruiting doctors, one of the things I don't think most people realize is that in order for us to get a trauma surgeon or a neurosurgeon in ND, we have to compete with the Floridas and the Californias and the New Yorks to bring those experts to ND. That means we have to pay them more than they would receive in some of the other areas. There are constant healthcare costs that we have no control over that add to our financial burden. We are definitely not in the situation to incur additional expenses with regard to ambulances, fire, law enforcement services. One of the things also is that ND is one of the lowest cost, high quality providers of healthcare services in the nation. It is not that our costs have gotten out of control and that we are not being fiscally responsible. We definitely are. We are just trying to deal with the market pressures that currently exist regarding healthcare. The city does not contribute to the healthcare costs and obviously they benefit from all the charities work that organizations provide. We also do bring an economic benefit to the community. Representative Keiser made a comment about churches having to pass on the cost of these expenses to their beneficiaries or the individuals

who frequent their services. We would not have the opportunity. We cannot bill this to Medicare, we cannot bill Medicaid, we cannot have Blue Cross Blue Shield pick this up. We would have to bill our patients extra for these costs and even if they have insurance, their insurance would not cover these expenses. These would be out of pocket costs for people receiving services. I think by chipping away at the concept of tax-exempt 501C3 organization and the concept that we provide charity care and we provide huge benefits to the community, to chip away at that and start taxing for certain services because it is a burden on the city to provide these services, really undermines the whole idea behind 501C3 organizations and the charity care they do provide to the state.

Once we do this, where do we go from here? Maybe there are other things we should be paying for like sidewalks and other things we are not now paying for. Representative Keiser was talking about the organizations that are actually going to be covered by the subdivisions mentioned in this bill, but it is my understanding that ND Century Code 57-02-08, subdivision 8, 11, 14 and 31 involving hospitals long-term care facilities, group homes, charitable organizations like fraternities, sororities, farmer's clubs. It also includes property owned by the National Guard and the Armory and I understand it is discretionary for cities to decide whether they are ultimately going to tax these types of entities. I don't quite understand the structure of why these entities were chosen versus others like park districts or schools, and that all government entities will not be subject to this bill; it will simply be the private 501C3 nonprofit organizations that will be affected by this. We would strongly recommend and respectfully request that this committee vote for a "do not pass" on HB1200.

**Chairman Belter:** Thank you. Any further testimony? Any questions of the Tax Department?

**Representative Winrich:** Mr. Thomas suggested that there might be constitutionality problems with this bill. Could we get an opinion about that from either the Tax Department or the Attorney General.

**Marcy Dickerson, Supervisor of Assessments and Director of the Property Tax Division**

**of the Office of the State Tax Commissioner:** I did not intend to testify today, but I am glad to answer the question. There is a constitutional provision that all property used entirely for charitable purposes is exempt from property tax. 57-02-08 and all its subsections apply to other property. Subsection 8, which is included in this bill, applies to property that is used totally or in part for charitable purposes, but the constitutional provision is only for property used 100% for charitable purposes. In that case, I would think probably the constitutional provision would prohibit the taxation even for certain purposes. Most of these charitable properties are 501C3s and they have to have both 501C ownership and have a charitable purpose set out in their articles of incorporation. That's what the majority of them are, but for the ones that meet the constitutional requirement, it would be my opinion that they probably would not be subject to this. The only other thing I was trying to say was what the lady who preceded me said that these provisions cover churches, government buildings, and a lot of other things are not covered. Only those four sections that she enumerated were types of properties those four sections covered.

**Chairman Belter:** Thank you Marcy. Any other testimony in opposition? Neutral testimony?

**Connie Sprynczynatyk, ND League of Cities:** I will let you decide how neutral my testimony is. I want to thank Representative Keiser for having the courage to suggest a bill like this, especially since his spousal unit is connected with a nonprofit as he indicated. Section 14 refers to National Guard armories and there are 19 city owned armories. Let me just tell you

the reason I am saying that the League is neutral. What we like about the bill is the League has a long-standing position of local decision making. As Representative Keiser pointed out, property taxes really are a local decision. That is an aspect everyone could agree with, but the nonprofit organizations and the people who have testified before me also provide some of the dilemma when they talk about the valuable contributions made by nonprofits in the community. I am saying neutral, but I will let you decide. I can tell you that it is not true that the property taxes that are collected are somehow going to line the coffers of the political subdivisions. The fact is that in the cities where we have looked at the general fund budget, the income and the expenditures, it is true that police, fire and emergency communications (even in smaller communities) typically take up more than the city takes in in property taxes. Typically those expenditures are between 40-55% of the general fund expenditure so when Representative Keiser quoted Bismarck's budget at \$17 million for police, fire and communications and almost \$15 million receipts from property taxes, that's not so atypical. I don't have all the cities here: I have a handful so if you are curious, I can at least quote 2006 figures. Again, what we like about the bill is that it forces a local decision. I am not sure anybody likes to be tossed a hot potato; but when you speak as a member of the Bismarck City Commission, if this bill passes, we would certainly have that conversation, probably for a very long time at the local level, and then those sitting around that Governing Board table would get that hot potato and have to make a decision. If you are willing to pass that on to us, we will take it at the local level. If anyone plans to ask me how I personally would vote on this at the City Commission table, I tell you right now I am leaning toward the valuable contribution, and yet, at the same time, I am torn by the fact that our costs to provide public safety just keep going up. It is really is a dilemma.

**Representative Headland:** Connie, do you believe it is appropriate for local political leaders to pick and choose (inaudible) areas of taxation?

**Connie Sprynczynatyk:** The state has over the years established a tradition of certain exemptions to state sales tax. You know that a great part of the state's budget comes from the state sales tax. There are more than 50 exemptions. The state, I think, has a tradition of creating "winners and losers". If you have an exemption, you might think you want to keep it; but I remember a number of years ago where there was an interim study done by the taxation committee, probably back in the 80s, I think the result of that assessment of what would happen to states sales tax if we took all the exemptions off—all of them. I think, at that time, the answer was that state sales tax could drop to 3% and still collect the same amount of revenue. I think if you are going to have this discussion at the local level, you are going to have to look at everything and keep things fair. Again, the League members don't stand advocating that that happen, but that is a decision that should be made at the local level.

**Representative Wrangham:** This is kind of a crystal ball question. When I think about this question being a hot potato, would you think most cities would end up putting this on a ballot instead of the city commission actually having to deal with that hot potato?

**Connie Sprynczynatyk:** I was actually thinking of that when I was sitting there listening to this discussion. I can't predict the outcome even in the city of Bismarck, but in our community, our commission has at times asked citizens for an advisory vote. It is not a vote that is binding on the commission. The commission can still decide otherwise. Last year we had a vote on the quiet rail zone. Obviously the taxpayers said that was too much money to pay for quiet rail and it went down. It was an advisory vote. Could we have gone ahead and implemented one? Sure, but discretion is the better part of valor, but it would be better to do as an advisory vote.

**Representative Wrangham:** I assume there would always be the option of the referral.

Would that be something that a vote could be forced on ?

**Connie Sprynczynatyk:** That would be a great question to ask a lawyer.

**Representative Grande:** Can I ask you to put on the city council hat. Bismarck has a Renaissance Zone. You chose to do that so you choose to give exemptions to various people. How much money do you think cities and counties save in human services that the charities provide?

**Connie Sprynczynatyk:** That is exactly why I said thanks for the hot potato because I think we need to have those kinds of conversations. Then again, I am standing before you and representing the League and telling you if you toss the hot potato to us, we will take it. Every city is different. Each city presents a very different picture. Even a community like Bottineau, where there probably aren't that many nonprofit organizations owning property, would be very different from Dickinson or Bismarck. We have 357 incorporated cities. There is not a single one that matches another in terms of resource mix or expenditures. You can find commonalities, but you cannot make them look like a cookie cutter approach would work. That is the kind of conversation that would have to be had at the local level. I cannot imagine in my wildest dreams any city, if this bill passes, saying that it is a great idea; let's do it. I think there has to be far too much process before rushing into something like that because of that invaluable contribution. As a Bismarck city commissioner, right now I would have a hard time voting for that because I recognize the value of nonprofits.

**Representative Keiser:** Representative Grande asked the question about Renaissance Zones. I am on the Renaissance Zone Committee, and it is important for this committee to understand that the maximum exemption is five years. To access that, you have to increase the value of that property by at least 50% or more. So the return on the recovery of those lost

tax dollars is about seven years and then the city starts winning on the tax side. It is a special kind of exemption. It is not a lifetime; it is a temporary exemption which whoever does that project will eventually repay many fold.

**Chairman Belter:** Any other testimony on 1200? If not, we will close the hearing on HB1200.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1200**

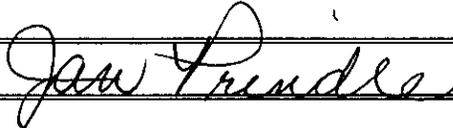
House Finance and Taxation Committee

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Hearing Date: **January 19, 2009**

Recorder Job Number: 7242

Committee Clerk Signature



Minutes:

**Chairman Belter opened discussion of HB 1200.**

**Representative Froseth:** I don't think we want to put ourselves in a position where we allow local political leaders picking winners and losers.

**Representative Headland:** I move a **Do Not Pass**.

**Representative Pinkerton: Second.**

**Representative Weiler:** I'm going to resist the motion simply because as Representative Kaiser explained, it's a local issue. Why shouldn't the local city commissioners and the local school board members be able to make a decision as who they tax and what they are going to tax? As you heard, 51% of the land in Bismarck is not taxable. That's an outrage in my opinion. I understand if it's in your community and your commissioners don't want to tax, that's fine. Let's at least give the opportunity if they so wish to do it. This is not a tax on the hospitals and the churches. It has everything to do with giving the local people authority to do what they want to do. In some cases that's not always a good idea, but I believe in this instance it's a very good idea.

**Representative Headland:** I'd like to address why we should not allow that. You have a hospital in Mandan and the local leaders in Bismarck decide to tax and the ones in Mandan

don't, doesn't that put the hospital in Bismarck at a disadvantage? I only wish we had are some real numbers because I don't think we are talking about a lot of money. It's only for fire, law enforcement and emergency services. It wouldn't have to all of them, maybe only one of them if we changed the "and" to "or."

**Representative \_\_\_?\_\_\_:** In Fargo we have one that pays taxes and one that does not. One is for profit and one is not. Let the city even that out.

**Chairman Belter:** The problem with that is that everyone has their own program. Merit Care will continue to stay in Fargo. The tax they pay is not great enough that anyone will change their location. I do see the situation where a nonprofit may consider locating in Bismarck, but decides to locate in Jamestown where there is no tax. It may not affect their decision because it may be only \$500 - \$1000. You could have a Hodge podge of tax policies between the various cities and I'm not sure we want to sanction that.

**Representative Weiler:** Would give this the local people the authority to say they are going to tax the hospital and not the churches.

**Representative Headland:** I did ask Representative Kaiser if the bill was written to let local leaders pick and choose who they will tax. He said the bill was written in order to that and they can. It does not preclude that.

**A roll call vote was taken: Yes: 9, No: 2, Absent: 2 (Froelich and Winrich)**

**The Do Not Pass Motion was Carried.**

**Representative Pinkerton will carry the bill.**

Date: January 19, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1200

House FINANCE AND TAXATION Committee

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

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Headland Seconded By Pinkerton

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich		
Vice Chairman David Drovdal	/		Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt	/	
Representative Grande	/		Representative Winrich		
Representative Headland	/				
Representative Weiler		/			
Representative Wrangham		/			

Total (Yes) 9 No 2

Absent 2 (Froelich + Winrich)

Floor Assignment Rep Pinkerton

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

**REPORT OF STANDING COMMITTEE (410)**  
January 19, 2009 3:48 p.m.

**Module No: HR-10-0521**  
**Carrier: Pinkerton**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1200: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (9 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING). HB 1200 was placed on the Eleventh order on the calendar.**

2009 TESTIMONY

HB 1200

Keiser, George J.

#B1200

**From:** Wocken, William C.  
**Sent:** Monday, January 12, 2009 5:21 PM  
**To:** Keiser, George J.  
**Cc:** Hillman, Sheila R.; Connie Sprynczynatyk  
**Subject:** Bismarck budget request

George,  
 You inquired about the city's 2009 budget. I am copying Sheila Hillman, city Director of Finance and Connie Sprynczynatyk on this response since they have provided research on this topic in the past.

The 2009 Budget shows the following public safety expenses:

Combined Communications	\$ 1,683,925
Fire Department	5,312,446
Police Department	8,138,922
Fire one time costs (equipment/vehicle)	883,960
Police one time costs (variety of needs)	665,912
Police machine (copier)	8,500
Police pension supplement	122,661
Fire pension supplement	137,784
Emergency management	78,327
Emergency management one time (sirens)	91,521
<b>TOTAL public safety costs 2009 budget</b>	<b>\$17,115,458 *</b>
<b>TOTAL General Fund</b>	<b>\$32,846,455</b>
<b>Percentage</b>	<b>52.1%</b>

For informational purposes from the 2009 budget as we briefly discussed today;

2009 taxes levied on property	\$ 9,699,082 **
25 mill sales tax transfer	5,266,675
<b>TOTAL property tax related income in 2009</b>	<b>\$14,965,757</b>

\* Does not include Combined Communications pension supplement, normal pension levies for any department or Social Security which are levied in special funds  
 \*\* Does not include taxes remitted to building construction or weed control

# NDHA

North Dakota Healthcare Association

**Vision**

*The North Dakota Healthcare Association will take an active leadership role in major healthcare issues.*

**Mission**

*The North Dakota Healthcare Association exists to advance the health status of persons served by the membership.*

Testimony HB 1200  
January 14, 2009

Mr. Chairman, Members of the Finance and Tax Committee, I am Arnold Thomas, President of the North Dakota Healthcare Association. I am here today in opposition to House Bill 1200.

House Bill No. 1200 provides, among other things, that the governing body of a city can impose a property tax on hospitals for the cost of fire, law enforcement, and emergency services.

There are a few problems with this bill.

#1 The Constitution of North Dakota prohibits the imposition of property taxes on institutions such as those I represent.

#2 A number of our hospitals already operate their own ambulance services. So -- when you need an ambulance in Fargo -- or Minot -- or Grand Forks -- or Hettinger, you are literally calling the local hospital and asking them to dispatch their ambulance. On what policy basis would you ask the hospital to then turn around and pay for that responsibility?

#3 The bill references law enforcement. A number of hospitals have in-house security services. The reality is -- if things go badly, hospitals can't wait for local law enforcement to show up. In these situations, hospitals are first responders.

#4 The bill references fire. You need to understand that hospitals are staffed 24 hours a day - 7 days a week -- 365 days a year. As one if not the most regulated entity in the state, hospitals undergo an incredible number of inspections relative to the life safety code and drill regularly in matters of prevention. This includes fire. To a hospital, fire is a threat among threats to patient and staff safety. In fulfilling their mission, hospitals can't afford to let things like smoke or potential fire hazards go undetected.

#5 As a result of homeland security, hospitals in ND have been leaders in developing and implementing coordinated regional disaster plans addressing situations which may overload local or regional health care services. If a plane falls out of the sky -- an anhydrous ammonia spill occurs -- or a river floods the community -- hospitals are the place people gravitate toward with their medical needs. Hospitals already incur major expenditures in fulfilling this emergency preparedness roll to be ready for whatever emergency situations might befall the people of this state.

#6 A number of our hospitals – like Crosby - already receive support from taxpayers through a dedicated mill levy. If I understand HB 1200, it would permit the city to tax this hospital already receiving local tax support.

Ten years ago, when this same bill was introduced, we pointed out that hospitals cannot be the deep pockets that local political subdivisions turn to in order to address their spending habits. There are only so many dollars that a hospital can generate -- given how hospitals are paid. Hospitals in ND do not limit their community benefit to their core purpose of treating the sick. Hospitals are active leaders in their communities promoting and supporting activities and functions complementary to the hospitals primary purpose. Examples include well baby clinics, diabetes screening, blood and cholesterol testing. We sponsor ask-a-nurse programs and engage in telemedicine. Hospitals offer tuition assistance and academic scholarships for persons interested in health careers. Hospitals support local sports booster clubs, school fairs, scout camps and sportsmen shows. Hospitals support museums and art galleries, symphonies and community fund drives. And in many communities, hospitals are prime driving force behind most community economic development efforts.

Mr. Chairman -- Members of the committee -- We understand that this bill authorizes local political subdivisions to impose the tax - It does not mandate the tax. However - from our perspective - a tax is a tax is a tax. It is not a different animal because one level of government authorizes another level of government to be the assessor and the collector.

The formulation of tax policy must have as its basis, a thoughtful, well-reasoned approach to our collective and individual needs. This bill did not meet that test ten years ago and it does not meet that test today. This measure still appears to be an expedient attempt to single out hospitals and a handful of other not-for-profit entities to raise funds further line the coffers of political subdivisions.

We respectfully ask for a Do Not Pass on HB 1200.

**Testimony of Gayla Sherman, MSW  
Co-Executive Director of Charles Hall Youth Services, Bismarck**

1200  
Testimony 3

**To  
House Finance and Taxation Committee  
In Opposition to HB 1200  
Wednesday, January 14, 2009**

Chairman Belter and Members of the Committee, my name is Gayla Sherman, and I am co-executive director of Charles Hall Youth Services. I am testifying in opposition to HB 1200 on behalf of the North Dakota Association of Nonprofit Organizations (NDANO), of which I am the board vice president.

NDANO represents more than 150 North Dakota member organizations and entities working in many different mission areas – from human services and the environment to education and the arts. Nonprofits are a vital part of our state's communities and provide public benefits that strengthen these communities, both rural and largely populated, across our state.

The public supports tax exemptions for not-for-profit organizations because of their significant work to improve quality of life in our communities. More specifically, donors intend all of the dollars given to nonprofits to be used to provide services and accomplish our missions, not to pay property taxes. Not-for-profit boards and volunteers need reliability and predictability in their tax status to make plans and budgets for the future.

Because organizations of purely public charity contribute to the common good and lessen the burden of government, the historic policy of exempting these not-for-profit organizations from property taxes should be continued. Nonprofits relieve government of many of its "burdens" or traditional functions in exchange for tax exemption. We are sympathetic to fiscal pressures on governmental budgets and hear the cries that property taxes are too high. However, we feel that taxing one public service to fund another is counter productive and will not result in a net reduction in governmental costs. It would increase already stressed nonprofit organization budgets and could have a marked impact on our ability to maintain and direct resources to fund much-needed services.

NDANO strongly urges a DO NOT PASS on HB 1200. The exemption from property taxation of public-serving nonprofits is still good economic and social policy.

Thank you for your consideration, and I would be happy to answer any questions, along with NDANO's Executive Director Dana Schaar.