

2009 SENATE INDUSTRY, BUSINESS AND LABOR

SCR 4022

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 4022

Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: February 11, 2009

Recorder Job Number: 9170

Committee Clerk Signature

Eva Leibel

Minutes:

Senator Krauter: Written testimony in support of the bill.

Dave Kernitz, President of the AFL-CIO: In support of the bill. We've seen erosion of the jobs; I am concerned and feel it is time to revisit the tax code. We need to talk about those industries that try to stay here and shop union made or at least American made. We protect our own first and we will build our economy.

Senator Andrist: I agree with the message of the bill. As I understand companies have moved overseas and the manufacturer and they don't have to pay any taxes until the product comes back into the United States?

Dave: What I call it is a false store front at constitutional avenue, the corporations that lobby are congress for tax breaks and incentives aren't based in the United States. They take all their protections or their assets or their ability to compete globally out of the market globally from our ability to assert over a global market. In our armies in our defense mechanisms, in our bases in foreign countries to protect and stabilize their markets. Then they don't pay any taxes or revenue to help us that global influence or stability, democracy and market probability. It's wrong.

Chairman Klein: How do we arrive at that fifteen and one half billion dollar tax break?

Dave: The tax revenue is paid by the hard working tax payers. We're paying it in and it's spending on their defense and market stability.

Chairman Klein: It's not necessarily a straight out tax deferral, we can see at the end of the year bottom line, we get this tax break because their manufacturing overseas. You're saying it's beyond that it's more in the investment in the military and the fact that we spend that money to keep those manufacturers safe in those countries too.

Dave: That's a component.

Senator Nodland: As you were talking I was thinking about Bobcat. They are owned by a Korean Company. It is run by United States employees and they pay taxes. Can we take that into consideration?

Discussion followed.

John Risch, United Transportation Union: I think the real issue here is not whether or not we can ship jobs overseas or ship other companies to bring jobs here. The question is should we be creating an incentive through the tax code. I don't know exactly how the tax code works but if in fact we are creating an incentive for American companies to ship jobs overseas through the tax code we should not be doing it. We should do things that are in the best interest of the American public.

Danieta Wald, General Counsel for the State Tax Department: As far as North Dakota is concerned we are a worldwide combined reporting state. So from our perspective this doesn't impact what and how much income is being taxed. It's very complicated.

Discussion continued.

Chairman Klein: We're going to close the hearing on 4022.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 4022

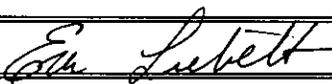
Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: February 16, 2009

Recorder Job Number: 9559

Committee Clerk Signature



Minutes:

Chairman Klein: We're going to pick up the last issue we haven't acted on and its resolution 4022. A resolution brought by Senator Krauter. I was trying to figure out how those fifteen point five billion dollars fit into the picture.

Senator Wanzek: I move a do pass.

Senator Behm: Second.

Senator Wanzek: Is there actually a tax law that actually targeted or intended to be used to encourage this. Or is it just given the nature of our tax structure and the way it is developed that it creates a situation where a company would take advantage of the tax policy to try cheapens up the or lower the cost of the product. It bothers me a little bit, kind of seems to be maybe flying in the face of trade. Then I think of the free trade weren't they talking about a free trade area out at the Bismarck Airport for the purposes of Melroe Equipment could be located there and bring in some components to get away from the import tax and all this and that. I certainly do not want to say I am in support of a direct targeted effort to beat the tax system.

Senator Potter: If I recall the testimony. The discussion of the particular tax that they were discussing was the fact that you don't have to pay taxes on your products if you manufacture it overseas until it returns to the United States. So you may have a factory in the United States

and you can find it to your advantage to move that factory to Singapore and just bring the product back and pay the taxes on the product. I am kind of a traditional free trade liberal in the sense that trade is good.

Senator Wanzek: I've been following USDA marketing and trade seminars and they say one out of every two acres needs to be exported and wheat is probably greater so trade is important.

Senator Andrist: I feel that there's something to be said for the law. I am sure there is some good with the bad.

Row Call Vote: Yes: 7 No: 0 Absent: 0

Floor Assignment: Senator Potter.

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Date: Feb 16, 2009
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 4022

Senate

Committee

Industry, Business and Labor

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken **Pass** **Do Not Pass** **Amended**

Motion Made By Senator Potter Seconded By Senator Behm

Senator	Yes	No	Senator	Yes	No
Senator Jerry Klein - Chairman	✓		Senator Arthur H. Behm	✓	
Senator Terry Wanzek - V.Chair	✓		Senator Robert M. Horne	✓	
Senator John M. Andrist	✓		Senator Tracy Potter	✓	
Senator George Nodland	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Potter

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

REPORT OF STANDING COMMITTEE (410)
February 16, 2009 3:47 p.m.

Module No: SR-30-2953
Carrier: Potter
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SCR 4022: Industry, Business and Labor Committee (Sen. Klein, Chairman)
recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
SCR 4022 was placed on the Eleventh order on the calendar.

2009 HOUSE FINANCE AND TAXATION

SCR 4022

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SCR 4022

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/11/09

Recorder Job Number: 10700

Committee Clerk Signature

Lou Engelson

Minutes:

Chairman Belter opened the hearing on SCR 4022.

Sen. Aaron Krauter: For the record my name is Aaron Krauter, State Senator from District 31. See Attachment #1 for testimony.

Rep. Drovdal: Do you feel bipartisan legislation is more effective than partisan legislation?

Sen. Krauter: If you are referring to having all democrats on the resolution, this was a situation where I had the resolution drafted, and I asked one person to sign it, and I ran around and grabbed the sponsors and got it in. To answer your question, I think the more people you can get on it, it's better.

Chairman Belter: I (inaudible) about this type of situation that you have in the resolution here. I'm surprised that you talk about \$15 billion in tax loss over a decade which I'm surprised because at today's dollars where we just got a \$750 billion stimulus package, that's only \$1.5 billion a year. I am surprised that it isn't a larger figure than that.

Sen. Krauter: I've done some research on that. That was one I pulled out when I did the research. Going on the internet and finding more information about the statistics that were out there.

John Risch: John Risch with United Transportation Union. We just want to weigh in in support of the resolution. Bipartisan or non-bipartisan, we think it's a good idea. Certainly companies are going to continue to invest overseas in search of lower wages, but we shouldn't create an incentive by this through the tax code. I think it was explained well. If you leave your profits overseas, you're not taxed on them. You are only taxed when you bring it back into the United States. It actually creates an incentive to leave them overseas and do more investing overseas. I would urge the committee to recommend a do pass on the resolution. I think it's a good idea to try and keep as many jobs as we can in this country.

Chairman Belter: Further testimony in support of 4022. If not, any opposition to 4022. If there is no further testimony, we will close the hearing on 4022.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SCR 4022**

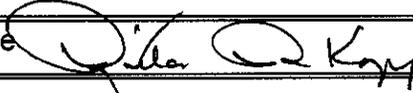
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 17, 2009

Recorder Job Number: 11134 (25:02)(Also contains 2297)

Committee Clerk Signature



Minutes:

Chairman Belter: Can we quickly do 4022?

Representative Winrich: I move a "do pass".

Representative Kelsh: Second.

Chairman Belter: Any discussion? If there is no discussion, this can be put on the consent calendar? All those in favor of the motion, signify by saying "aye". **The motion carries and will be placed on the consent calendar. A roll call vote resulted in 11 ayes, 0 nays, 2 absent/not voting. Representative Winrich will carry SCR 4022.**

Date: March 17, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 4022

House FINANCE AND TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Winrich Seconded By Kelsh

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) 11 No 0

Absent 2

Floor Assignment Representative Winrich

If the vote is on an amendment, briefly indicate intent: Motion carries consent calendar.

10th order

REPORT OF STANDING COMMITTEE

SCR 4022: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (11 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SCR 4022 was placed on the Tenth order on the calendar.

2009 TESTIMONY

SCR 4022

Senator Aaron Krauter

Testimony in support of SCR 4022

Mr. Chair, members of the committee, I rise today in support of SCR 4022. This resolution tells Congress and the President of the United States that the people of North Dakota want them to repeal a misdirected tax subsidy that not only allows, *but encourages* American companies to move their manufacturing operations overseas. The US tax code contains provisions known as Sub Part F, which has been a part of US tax code since January 1, 2004, creates an unfair system. This provision allows an American company to shut down its manufacturing plant in the states, lay off hundreds or thousands of employees, start up overseas, then turn around and sell their goods to Americans and not pay any taxes on their profits. This is called a deferral. The company won't pay any taxes on any of those profits until the money comes back to the United States. This becomes even more problematic when the money is shifted and reshifted between offshore accounts; it becomes difficult to prove when the profits from selling to Americans are returned to America.

As the code is currently written, American taxpayers are essentially subsidizing and rewarding companies that fire American employees and move their operations offshore. Also, it places loyal American companies at a competitive disadvantage because they are required to pay taxes on their profits right away. Companies like Huffy Bikes and Radio Flyer little red wagons, that close their American operations, move offshore, pay these employees near slave wages, *and then* get a tax break, are the companies that are competing with loyal American companies. This competitive advantage can result in American companies being driven to a smaller share of the market and could lead to an eventual closing of another American factory. For those of you who think this is a small problem; it is estimated that fixing this problem in the tax code could save the American people \$15 Billion over the next decade.

Last year, 2.6 million jobs were eliminated in an effort to cut operating costs. According to the Department of Labor, 791,000 of those jobs were in the manufacturing sector. This has broad ranging impacts on the economy as a whole. With those factories shutting down the economy begins to spin out of

control affecting other shops that those former manufacturing employees can no longer support because they don't have a pay check. More than 4 million US manufacturing jobs have been lost since the end of 2000. In total there were 11.1 million jobs that were lost in 2008.

Many people in ND feel that we are isolated from the national economy because we are one of the few states that actually has a surplus. I would like to point out that the slaughter house in Harvey has been closed, the American Express call center in Linton has closed, Bobcat has extended its shutdown period another two weeks, not to mention that it is now owned by a company from South Korea. These are only a few examples of how the downturn in the national economy is spreading to North Dakota. North Dakota is competing in the same global market as the rest of the world and we aren't isolated. We need to stop rewarding companies that ship jobs overseas and reward companies that want to stay and grow in the United States.

Rather than accelerating the national downturn by shipping millions of American and North Dakotan jobs overseas, we should be looking at ways to keep American jobs in America and continue to grow the economy of North Dakota.

This resolution will tell Congress and the President that we, as North Dakotans, do not approve of these policies. Mr. Chair, members of the committee, I strongly urge your support of this resolution.

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