

2011 SENATE FINANCE AND TAXATION

SB 2137

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2137  
1/12/2011  
Job Number 12795

Conference Committee

*A. Rittmiller*

### Explanation or reason for introduction of bill/resolution:

Relating to a sales and use tax exemption for sales by thrift stores owned and operated by nonprofit corporations

### Minutes:

Written Testimony Attached

**Chairman Cook** opened SB 2137 relating to a sales and use tax exemption for sales by thrift stores owned and operated by nonprofit corporations.

**Senator Hogue** – My name is David Hogue, I'm a Senator from District 38 representing northwest Minot and the city of Burlington. I'm here in support of this bill. If you live in western North Dakota you know this, and if your familiar with our economy in western North Dakota you know that those individuals who rent apartments or other housing and don't own it, have been experiencing significant increases in the amount they have to pay for their rent. That is market driven. It's driven by the fact that there are so many more people demanding housing primarily coming from the oil sector, than there are housing units. So rents are naturally going up. At the same time, our last legislative assembly passed tax relief, and we provided that tax relief to individuals who own real property. If for example you were a landlord in Williston or Dickinson or Minot, and you had a 32 unit apartment complex your probably seeing your rent revenues go up by factors of 40% or 50%, or as Mr. Anderson testified on the last bill, 100%. 100% increase in revenues, at the same time, that landlord got a 15% decrease in his tax bill. That gross inequity is what caused me to think about how can we provide some tax relief or something for low income people who are primarily renters. This is one step in that direction. That is why I support this bill Mr. Chairman. This is the same bill that we heard and considered last legislative session. I did check the legislative history on it, the fiscal note in it last time was under \$800,000. This history is, it came out of this committee with a Do Pass, but was ultimately rejected by the Senate. The Senate Appropriations was not in favor of this bill. I'm hoping we can change that. I myself have had a change of heart on it, just because of what I see happening in western North Dakota. So I hope this committee can support this bill, and I hope the Senate can pass it as well.

**Chairman Cook** asked for further testimony in support of SB 2137.

**Senator Joan Heckaman, District 23** – I'm happy to be here to support this bill. It was a favorite of mine last session and I'm happy to have this reintroduced by Senator Hogue. Our state is fortunate to have this booming economy, but sometimes comes with unintended consequences. I have been in contact with individuals on fixed incomes who are finding difficulty making ends meet as the rent increases due to this improved economy. Thrift stores are run by nonprofits and provide a valuable service in our state. They are a funding source for many important agencies and are a great place to buy good values. High school students and college students often replenish their wardrobes there, and I and my family members are frequent buyers. But lately more individuals are frequenting them because of their fixed incomes. Individuals with low fixed incomes budget on a dollar to dollar, and day to day basis. Adding 5% to 7% more to purchase is a big deal. With our economy as robust as it is, now is the time to remove this tax and give those fixed income people a break. So I ask this committee to give SB 2137 a favorable recommendation.

**Richard Berg, Dakota Boys and Girls Ranch** – We do own thrift stores across North Dakota. I also am in support of this bill. It's not for what people would typically think since we own thrift stores. We really aren't going to benefit from this but we do see the clientele that will. We have a very diverse clientele. In today's economy more and more people are shopping for better deals. But we do see a large percentage, I would say a majority of our customers, are from low to middle income families that do need that help. Ourselves in our state we have a nice website that I was able to get some data from. I will turn that over to the clerk to pass on to you. (see attachment A)

**Veronica Zietz, The Arc of Bismarck** – (See attached testimony B in favor of SB 2137)

**Troy Grothe, Retail Operations Manager, Dakota Boys and Girls Ranch** – I'm here to support the bill and tell you a little bit about our customers. Our customers are a broad range. We have people that are low wage incomers who come in for clothing, pots, pans, anything they can possibly get. We have single parents that come in and rely on us for their clothing needs for their children, school supplies, etc. We have a large number of elderly people that shop our stores for our clothing goods. When I started with Dakota Boys and Girls Ranch I came because I knew the ranch did a great job with our 700 kids. What I didn't realize was the large number of people that thrift stores actually help. On a daily basis I hear tear wrenching stories of people who have no extra income other than to come shop at our stores. Just Friday night I had a family come in from Rolla and they were looking for a bed. I saw a young man with them and I was assuming the bed was for him. It was a single bed, and they were moving to Bismarck and that's the only bed they had in their house. And they looked to us to provide this. I personally bought the bed and gave it to them because they had nothing. We see day to day people moving in from out of state that have come to look for a better way of life, that have nothing. And we are there to support them, and give them a chance to get back on their feet. Again it was a surprise to me. I grew up in northern North Dakota, just north of Minot. I was low to medium income family. We shopped at thrift stores. Both my parents worked very hard, but when it came down to food, insurance, we had to make sacrifices. I see that daily with our customers. We do also have people who just come in for a good deal.

**Chairman Cook** asked for testimony opposed to SB 2137.

**Keith Magnusson, North Dakota League of Cities** – We are here opposing this bill because we generally oppose any increase in sales tax exemptions. We kind of wonder why in this day and age, when the state is pretty flush with money. I need to remind you that the state legislature has also gives cities the authority and power to collect sales tax so anything you do also affects the cities. If the state doesn't collect it, the cities are not going to be able to. If you look at the big picture, why not grant an exemption, but there are other bills like this. There are other sales tax exemptions like this. So if you grant one where you do you stop. And there are a lot of good ones, good causes, well intentioned, and nothing against the clients of the thrift stores but we do generally oppose new exemptions from sales tax because it does affect cities and may not seem like a big amount of money but you grant one and then another and then another. Many cities are scraping by now too, and they don't have the ability to tap the funds that the state government does. So I would ask you to think about the cities and as you look at this and other sales tax exemptions.

**Chairman Cook** asked for neutral testimony for SB 2137.

**Chairman Cook** asked **Myles Vosberg, Tax Department**, if he had the fiscal note.

**Myles Vosberg, Tax Department** – “Yes I do have the fiscal note”.

**Chairman Cook** asked “Myles, that does not reflect local government revenue does it not”?

**Myles Vosberg, Tax Department** – “Mr. Chairman, that is correct. That is the state tax”.

No further action was taken.

**Chairman Cook** closed the hearing on SB 2137.

# 2011 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2137  
1/18/2011  
Job Number 13041

Conference Committee

A. Kittmiller

### Explanation or reason for introduction of bill/resolution:

Relating to a sales and use tax exemption for sales by thrift stores owned and operated by nonprofit corporations

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2137.

**Senator Hogue** – I move Do Pass.

Seconded by **Senator Triplett**.

**Chairman Cook** – We have a motion and a second for a Do Pass on SB 2137. I will ask the clerk to take the roll. 6 yeas, 1 nay

Carried by **Senator Hogue**.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee  
Lewis and Clark Room, State Capitol

SB 2137  
1/24/11  
Job Number 13246

Conference Committee

A. Rittmiller

## Explanation or reason for introduction of bill/resolution:

Relating to a sales and use tax exemption for sales by thrift stores owned and operated by nonprofit corporations

## Minutes:

Committee Work

Chairman Cook opened discussion on SB 2137.

Chairman Cook – We passed SB 2137, if we were to reconsider our action, then I would welcome another motion that would consider passing and re-referring SB 2137 to Appropriations.

Senator Hogue motioned to Do Pass.

Seconded by Senator Triplett.

Chairman Cook- All in favor of the motion to reconsider?

7 yeas, 0 nays

Senator Hogue – I move that we re-refer this bill to Senate Appropriations.

Chairman Cook – Do pass and re-refer to Appropriations.

Seconded by Senator Triplett.

# FISCAL NOTE

Requested by Legislative Council  
01/06/2011

Bill/Resolution No.: SB 2137

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$948,000)	(\$82,000)		
Expenditures						
Appropriations						

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

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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 2137 creates a sales tax exemption for sales made by nonprofit used merchandise stores.

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 2137 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$1.030 million in the 2011-13 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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/11/2011

Date: 1-18-11  
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2137

Senate Finance and Taxation Committee

Check here for Conference Committee

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

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Senator Hogue Seconded By Senator Triplett

Senators	Yes	No	Senators	Yes	No
Dwight Cook – Chairman		X	Jim Dotzenrod	X	
Joe Miller – Vice Chairman	X		Connie Triplett	X	
Randy Burckhard	X				
David Hogue	X				
Dave Oehlke	X				

Total (Yes) 6 No 1

Absent 0

Floor Assignment Senator Hogue

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

Date: 1-24-11  
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 237

Senate Finance and Taxation Committee

Check here for Conference Committee

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

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment

Rerefer to Appropriations  Reconsider

Motion Made By Senator Hogue Seconded By Senator Triplett

Senators	Yes	No	Senators	Yes	No
Dwight Cook - Chairman		X	Jim Dotzenrod	X	
Joe Miller - Vice Chairman	X		Connie Triplett	X	
Randy Burckhard	X				
David Hogue	X				
Dave Oehlke	X				

Total (Yes) 6 No 1

Absent 0

Floor Assignment Senator Hogue

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

**REPORT OF STANDING COMMITTEE**

**SB 2137: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2137 was rereferred to the Appropriations Committee.**

2011 SENATE APPROPRIATIONS

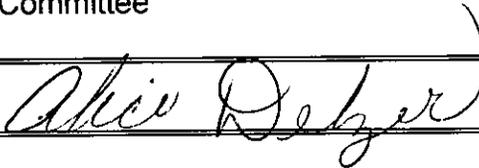
SB 2137

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee  
Harvest Room, State Capitol

SB 2137  
02-01-2011  
Job # 13773

Conference Committee

Committee Clerk Signature 

## Explanation or reason for introduction of bill/resolution:

A BILL relating to a sales and use tax exemption for sales by thrift stores owned and operated by nonprofit corporations

## Minutes:

See attached testimony.

**Chairman Holmberg** called the committee to order on Tuesday, February 1, 2011 at 10:30 am in reference to SB 2137. All committee members were present. Becky J. Keller, Legislative Council and Joe Morrissette, OMB were also present.

**Senator David Hogue, District 38, Minot** introduced SB 2137 and testified in favor of SB 2137. In the last session I did not support this measure. This measure would narrow our sales tax base for our thrift stores. But as I look back at what we did in the last session we provided \$295 million of tax relief to property owners and the governor's budget proposes to provide an additional \$350 million for the coming biennium and that was over \$645 million for property tax relief and I thought we are not doing enough for our lower income residents. We provided a modest increase in the Homestead tax credit exemption, but we haven't done very much otherwise so this proposal is a modest one. It has a fiscal note of less than \$1 million and it targets the lower income residents of ND who shop at thrift stores for clothing and other personal property that are necessities. This Bill does a little but it's a good little step. We had compelling testimony in the Finance and Tax Committee, it was supported on a vote of 6 to 1 and I would stand for any questions you may have.

**Chairman Holmberg:** The bill has been around and very straight forward. Is there anyone else that wishes to testify on the bill? Is there anyone in opposition to the Bill?

**Mike Rud, President of ND Retail Association (NDRA)** testified in opposition to SB 2137. Our Association totally understands the merits of this Bill, but we rise in opposition to this Bill in interest of fairness to all outlets selling clothing and urge a DO NOT PASS on SB 2137 You saw the defeat in the House yesterday 3 day sales tax holiday was soundly defeated. We believe if you do it for one, you need to do it for all. When you take a look at HB 1309 yesterday carried a similar price tag and our guys are very concerned about the fact that the folks that may be a little more financially strapped would have the same opportunity with the 3 day tax holiday to do some shopping as they would at the thrift stores year around. I stand in opposition to SB 2137.

opportunity with the 3 day tax holiday to do some shopping as they would at the thrift stores year around. I stand in opposition to SB 2137.

**Senator Wardner:** On the fiscal note it talks about other funds,\$82,000 would that be to the local cities?. He was told it is State Aid Distribution.

**Senator Krebsbach:** This talks about thrift stores; does it include consignment stores also?

**Senator Hogue:** It has to be a nonprofit store. There are some stores that are owned by private people that sell high end used clothing that are consignments and this would not apply to them. It's just the nonprofit organizations that are operating as thrift stores.

**Bill Shalhoob,ND Chamber of Commerce,(NDCC)** testified in opposition of SB 2137 Testimony attached # 1. We did not see that bill earlier and we did not oppose that bill in committee and that's normally not good practice. We recommend a DO NOT PASS on SB 2137

**Chairman Holmberg** asked if he or Mike Rud had the opportunity to testify in the hearing in Finance and Tax. He was told no, they had an opportunity but missed this bill. He stated they should have been there right away to voice our opposition and we did not do that.

**Jerry Hjelmstad, ND League of Cities (NDLC)** testified in opposition to SB 2137. We did testify against this Bill in the Senate Finance and Tax committee and I would like to explain the reasons why. We have 125 cities and 3 counties that have a local sales tax and of course, their tax base is required to mirror the state's tax base for the state's sales tax so anytime you have a Bill that narrows the state sales tax base, it also impacts local tax revenues. The fiscal note here provides for the impact from the state aid distribution fund which is part of the sales tax to go with the cities, counties, townships and park districts but it does not mention the fiscal impact for cities that have a local sales tax that also happens to have a thrift store. The tax would not impact the profits of the thrift store themselves. There are some very nice thrift stores in Bismarck, and my wife goes in to find a cookie jar and we don't mind paying the sales tax. Keep in mind this tax is being paid by the customer and not by the organizations.

**Chairman Holmberg:** Do you have an estimate on the cost of this to the cities or the three counties that have sales tax? He was told with the impact to the state being \$1 million, the average sales tax rate for these local governments is about 1 ½ percent, so some variation based on the state's 5% and not every community will have a thrift store those that do would be impacted to that extent.

**Chairman Holmberg** asked if anyone else wanted to testify in opposition of the Bill. There was no one and the hearing was closed on SB 2137.

# 2011 SENATE STANDING COMMITTEE MINUTES

**Senate Appropriations Committee**  
Harvest Room, State Capitol

SB 2137  
February 17, 2011  
Job # 14705 (Meter starting at 40:40)

Conference Committee

Committee Clerk Signature

*Rose Tening*

## Explanation or reason for introduction of bill/resolution:

A BILL relating to a sales and use tax exemption for sales by thrift stores owned and operated by nonprofit corporations

## Minutes:

You may make reference to "attached testimony."

**Chairman Holmberg** said the bill has a fiscal note of \$948,000 -

**Senator Wardner** moved Do Not Pass on SB 2137.  
**Senator Wanzek** seconded.

A Roll Call vote was taken. Yea: 10 Nay: 3 Absent: 0

**Senator Christmann** will carry the bill.

Date: 2-17-11  
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2137

Senate Appropriations Committee

Check here for Conference Committee

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

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Wardner Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner		✓
Senator Bowman	✓		Senator O'Connell		✓
Senator Grindberg	✓		Senator Robinson		✓
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 10 No 3

Absent 0

Floor Assignment Christmann

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

**REPORT OF STANDING COMMITTEE**

**SB 2137: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO NOT PASS (10 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2137 was placed on the Eleventh order on the calendar.**

2011 HOUSE FINANCE AND TAXATION

SB 2137

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2137  
March 14, 2011  
#15370

Conference Committee

Committee Clerk Signature

*Mary Brucher*

## Explanation or reason for introduction of bill/resolution:

A bill relating to a sales and use tax exemption for sales by thrift stores owned and operated by nonprofit corporations; and to provide an effective date.

## Minutes:

*See attached testimony #1 and #2*

**Senator Hogue:** Introduced bill. Please refer to attached testimony #1.

**Vice Chairman Craig Headland:** Could the reasons for these thrift stores struggling be the economy and the need for these people having to shop in these stores?

**Senator Hogue:** I agree that a lot of that has happened. The rising tide has lifted all ships I think is what you're saying. I looked at the fiscal note from when this was introduced last time compared to this time and it was up about a hundred and some thousand, I don't remember the exact amount. It went from about \$700,000 last biennium and it's up to \$900,000 and some this biennium. That tells me that there are people out there that are using these stores a little more but let's face it the people particularly in western North Dakota we know that incomes have risen significantly.

**Representative Steven L. Zaiser:** I agree that the number of people that have utilized these thrift stores has gone down but I think that now maybe it's more concentrated on folks that have disabilities of some sort and low income folks both working there and shopping there, wouldn't you think?

**Senator Hogue:** It's a really interesting mix of these stores. The managers of these stores are salaried people. After that they really get a mixture of part-time paid folks and volunteers plus people from the local workshops that are not employable in the private sector but they can come by for 10-20 hours a week and stock shelves or mark merchandise and things of that nature.

**Jeb Oehlke, ND Chamber of Commerce:** Opposition. Please refer to attached testimony #2.

**Representative Steven L. Zaiser:** Would you still consider this an unequal playing field when there have been tax cuts across the board for businesses and nonprofits?

**Jeb Oehlke:** Yes, because it is not a complete elimination of the taxes that the private sector businesses are required to pay. We would love to see the income tax completely go away in the state but we know it's unrealistic for that to happen all at once. We advocate for a stepped down approach to that.

**Representative Lonny B. Winrich:** It seems to me that your comments about this improving a competitive atmosphere and so on would suggest that you would favor a complete elimination of the sales tax rather than a complete elimination of the income tax, is that the case?

**Jeb Oehlke:** With complete elimination of sales tax, where are we going to make that up?

**Representative Lonny B. Winrich:** Then where are we going to make up the income tax?

**Jeb Oehlke:** We're not asking for immediate income tax elimination. We're asking for something we can do with the current revenue that we bring in.

**Representative Scot Kelsh:** It seems to me that second hand retail stores are reselling products that have already been purchased probably or in many cases from businesses that are members in the chamber so to me it seems like it's a double taxation issue. I'm wondering why you view second hand thrift stores as actual retail competition? In your testimony you said creating unequal classes of retailers and to me they are different retailers but not in the same class as somebody who is selling new products.

**Jeb Oehlke:** There are private sector businesses who compete with the not for profit thrift stores, entities like Plato's Closet, Once Upon A Child. Those types of businesses would not have that type of sales tax exemption and that's where the unequal playing field I referenced comes in.

**Mike Ruud, President of North Dakota Retailers Association:** Opposition. This is not an easy bill to get up in front of and not support as we understand the importance of the thrift store industry but we also understand the importance of the brick and mortars out there who are trying to make it work too. I guess I can reiterate what Jeb talked about but we're kind of along those same principles. We need to keep this playing field even because as he talked about there are stores out there that are competing against the thrift stores for business.

**Representative Dave Weiler:** You talk about the Plato's Closet and Once Upon A Child; do they sell things that have been used?

**Mike Ruud:** Yes.

**Representative Dave Weiler:** Why would those types of businesses not be eligible for these types of tax exemptions?

**Mike Ruud:** I can't answer that.

**Vice Chairman Craig Headland:** Some of for profit and some are nonprofit.

**Chairman Wesley R. Belter:** No further testimony. Closed hearing on SB 2137.

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2137  
March 14, 2011  
#15401

Conference Committee

Committee Clerk Signature <i>Mary Brucker</i>
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## Explanation or reason for introduction of bill/resolution:

A bill relating to a sales and use tax exemption for sales by thrift stores owned and operated by nonprofit corporations; and to provide an effective date.

## Minutes:

<i>No attachments.</i>
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**Vice Chairman Craig Headland:** I guess it is my thought that if a nonprofit isn't going to collect sales tax and then it really is going to unfairly impact for profit companies who are thrift stores as well. I don't think in the overall scheme of things that it has that much of a positive impact on the people that are shopping at those facilities. I'm going to ask for a **Do Not Pass.**

**Representative Dave Weiler: Seconded.**

**Representative Shirley Meyer:** In our area you hear a lot about oil and how well everyone is doing but I guarantee you that if you ask the stores in our area they would not think they are in competition. We have so many young families in our area and the first few months they are there they virtually have nothing and our nonprofits second hand stores have virtually saved their lives. I think it would help our area to give them a little bit of tax bonus.

**Vice Chairman Craig Headland:** The stores that I'm talking about are in competition with the for profit stores that are selling second hand clothes. They are doing it as a business to make a living. I don't see how they are going to be able to compete when they don't have to do the burden of collecting the sales tax.

**Representative Shirley Meyer:** In our area I think if you would ask them, we have two profits and two nonprofit and they are as busy as they can possibly be. I don't think they would even view it as a substantial amount of competition. We virtually have second hand stores that are sold out of merchandise which is unusual but we have so many people moving in that don't have anything. The for profit stores that they shop in are also running out of merchandise just as our nonprofits.

**Vice Chairman Craig Headland:** The nonprofit is doing that to profit and further their cause of the nonprofit so they are trying to make money doing it. The people that are trying to make a living doing it are the ones who are going to be burdened if we pass this bill because they are trying to feed themselves and a nonprofit is trying to fund their cause whatever it may be. I think if we shift more business over to them it is going to impact the people who are trying to make a living and I have a real problem with that. That's why I think we need to kill this bill.

**Representative Dave Weiler:** I think that this sets an unfair field of play for any business that is a for profit, whether they are a second hand store or a mom and pop store in town selling new merchandise. This is poor tax policy. I would hope that we could defeat this bill.

**Representative Lonny B. Winrich:** I want to challenge one thing Representative Headland said and that he doesn't think this impacts the people who shop at these stores very much. The people who shop at these stores because they need to rather than because they choose to are those who basically spend all their income on these kinds of goods and that means if they have to pay sales tax they pay the sales tax on every bit of income. Yes, nonprofit does not mean that you're not trying to make money but what it does mean is that the money is used for some philanthropic purpose. Maybe we could increase the tax on profit making businesses by 5% in order to support those philanthropic projects but without that there is going to have to be some other way it will have to be covered and it will probably fall on the counties or the state.

**Chairman Wesley R. Belter:** I am going to give you an example: my son goes into Heirlooms in Fargo which has a lot of nice stuff and he bought a huge desk in there and a filing cabinet. I think he gave them \$1,000 for it but if he would have gone with one of the furniture stores in town and bought it new it would be probably more than \$3,000 or \$4,000. In that case that store competes with other furniture stores because that particular Heirlooms is not a store that attracts what you would think to be low income people, it's probably people of means who are looking for some different china or a unique antique cabinet or things such as that. So there are a couple different classes there and I don't know if we should drop the sales tax on it because you have those situations.

**Representative Lonny B. Winrich:** I've done my share of antiques and the things you buy in a store like that are not inexpensive but that's not the kind of people who patronize these thrift stores that are run by nonprofits either. They are looking for a warm coat for the winter or something that isn't so badly worn that will get them through. In view of the fact of the kinds of tax credits that we've given to angel fund investors and renaissance zones and all that I think this is a very worthy project.

**Representative Bette Grande:** For point of clarification Heirlooms is a nonprofit that goes for hospice of the Red River.

**Representative Steven L. Zaiser:** I recognize that Heirlooms is a nonprofit but there are many of the thrift stores that take boxed clothes and clothes that nobody else would wear. I know some of the for profit thrift stores that are very selective in their clothing or the things that they'll take making sure that they will get rid of them. The ARC and some of the other

stores have to box and ship off many of the clothes because nobody else will take them, even the poorest of the poor. I guess I feel like they are not at a significant advantage, it is just really there to help those that don't have any extra money and maybe have a family of four or five kids and live on minimum wage or slightly above.

**Representative Scot Kelsh:** Just a point about the for profit; Once Upon A Child and those types of stores are very selective in the clothing they take. People take their used clothing there and sell it to them. The nonprofit stores will take just about anything and people donate those clothes so you are talking about a different class of clothing and a different type of operation. It is designed to help the nonprofits have a funding source to run their operations. A lot of nonprofits have taken a stand against raising money from gambling operations and the ARC of Cass County is one of them and has made a point not to collect income from their gambling operations. This is their whole source of income and they do a lot of good work. With regard to Heirlooms most of those items are donated by families who have lost a loved one who hospice helped out. They could choose to sell that at a garage sale or chose to do a lot of other things with it where sales tax would never be collected so I think this bill has very strong merit and I hope we can pass it.

**A roll call vote was taken: YES 9 NO 5 ABSENT 0  
MOTION CARRIED FOR DO NOT PASS.**

**Representative Dave Weiler will carry SB 2137.**

Date: 3-14-11  
 Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2137

House Finance and Taxation Committee

Check here for Conference Committee

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

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Headland Seconded By Rep. Weiler

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Scot Kelsh		✓
Vice Chair. Craig Headland	✓		Shirley Meyer		✓
Glen Froseth	✓		Lonny B. Winrich		✓
Bette Grande		✓	Steven L. Zaiser		✓
Patrick Hatlestad	✓				
Mark S. Owens	✓				
Roscoe Streyle	✓				
Wayne Trottier	✓				
Dave Weiler	✓				
Dwight Wrangham	✓				

Total (Yes) 9 No 5

Absent ∅

Floor Assignment Rep. Weiler

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

**REPORT OF STANDING COMMITTEE**

**SB 2137: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). SB 2137 was placed on the Fourteenth order on the calendar.

2011 TESTIMONY

SB 2137

[http://www.ndhfa.org/Web\\_Images/finalreport.pdf](http://www.ndhfa.org/Web_Images/finalreport.pdf)

The material below is from a full report found on the web address for ND housing.

WHO IS HOMELESS IN NORTH DAKOTA?

A statewide January 27, 2010 Point-in-Time Survey of 1126 Homeless People indicated:

- 3% stayed outside, in cars, in abandoned buildings the night of the survey
- 63% stayed in emergency shelters or transitional supportive housing
- 25% were precariously housed in motels or doubled up with family or friends and at imminent risk of being on the street
- 55% (622) were unaccompanied individuals
- 44% (501) were families, including 300 children under the age of 18
- 52% cannot afford rent, even if they have some income
- 48% were unemployed
- 45% had alcohol or drug abuse problems
- 35% had a mental illness

This report also demonstrates how homeownership and even rent payments are out of reach for low- and fixed-income North Dakotans (pages 5-6, 8, 10-13). While North Dakota's housing market is not in the dire straits of some other states, this report does show that low- and fixed income North Dakotans are finding it increasingly difficult to afford available housing.

Complicating the picture is the lack of precise information regarding rent prices. The report uses the Fair Market Rent (FMR) for each North Dakota county published by the U.S. Department of Housing and Urban Development (HUD) to represent current rent levels. FMR is the best available comprehensive and standardized data, but those familiar with the state's rental prices will readily identify that the numbers used in this report are substantially lower than the actual market conditions. Users of this report should apply their knowledge of the local rental market to the occupational wage data presented here to fully understand the difficulties faced by low and fixed-income North Dakotans.

Rental and wage data indicate that entry-level workers in North Dakota have a difficult time renting a two-bedroom apartment on their own. Disparities exist throughout the state between a cashier's median wage and the income needed to afford the rent on a two-bedroom apartment. However, the greatest disparity exists in the Grand Forks MSA, where a cashier's median wage is only 69 percent of the amount needed to afford rent on a two-bedroom apartment.

\*The following statement is summarized from data on this site and my personal observations in the Minot community.

Over all in ND Rent is rated at \$507 a month and individuals have \$387 available for rent assuming that individuals have 30% to allocate for rent. The disparity is glaring so we can assume that individuals that rent are sacrificing in other areas, insurance, medicine, food, and other essential needs to make up the difference, one thing we could do with this bill is make it possible for these individuals to sacrifice less on other essential items to be able to make rent. We also know that these numbers are estimates and from other personal contacts I can tell you the apartment you can get for \$507 is often not someplace you or I would wish to live.

#### DBGR

Information below from our records and personal observations of our operations locally.

The thrift stores owned by DBGR provide roughly \$245,000 to \$250,000 in sales tax annually to the state and this could be placed back into the hands of the customers of whom the majority are from low to middle income individuals/families. These families could use the funds to supplement their income and help catch them up.

Considering that the Boys and Girls Ranch only operates some of the thrift stores in ND this estimate is considerably lower than actual and I believe would be more realistically valued in a 7 figure amount when all the stores across ND are accounted for. (Salvation Army, Re-Stores, other non-profit stores entering into the second hand sales market locally)

From our daily operations staff information is gathered that we have a wide range of customers but the majority coming from the lower middle and lower economic level individuals across ND. These individuals seek items that are of an affordable nature considering their low or fixed income. As stated earlier many of them make choices weekly or even daily to purchase or not to purchase based on not what they need but what their income and ready cash will allow for. This tax



break for them would make some of these choices more workable for individuals/families and allow them to enjoy some of the prosperity of the state alongside their fellow citizens.

Rich Berg

Minot, ND.





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**Testimony of Support Senate Bill 2137  
Finance & Taxation Committee  
January 12, 2011**

Good morning Chairmen Cook and members of the Finance and Taxation Committee. My name is Veronica Zietz (#99); I am the Executive Director at The Arc of Bismarck and I'm here today representing both The Arc of Bismarck and The Arc of Cass County. The Arc is an organization that provides education and advocacy to people with disabilities to foster empowerment and full inclusion in the community.

The Arc supports Senate Bill 2137, because it would provide for an exemption of sales and use tax for thrift stores owned by nonprofit organizations. This law would provide nonprofit thrift stores exemption from a sales tax throughout the state, but specifically 6% in Bismarck and 6.5% in Fargo. If this bill would pass the change in sales tax funds available to the state would be minimal. For example, the Bismarck-Mandan area has six nonprofit thrift stores I estimated an annual sales tax collection of approximately \$70,000, which is a miniscule amount in the comparison to overall sales tax collected in this area. This bill has the obvious potential to result in increased sales for thrift stores, because customers are more likely to increase purchases with an apparent savings in sales tax. Though this appears to me a minimal expense it would make a noticeable difference to The Arc when providing quality services and programs to our constituents.

The Arc of Bismarck owns and operates a single thrift store and The Arc of Cass County has two thrift stores located in Fargo. Proceeds from our thrift stores heavily subsidize our organizational activities. Income first goes towards direct operating expenses and then towards various programs and services for people with intellectual and developmental disabilities. The various activities provided to our members and our communities include educational events, social gatherings, information and referral services, individual and systems advocacy and self-advocacy supports amongst other efforts.

The majority of thrift store customers are low income; The Arc of Bismarck surveyed its customers and found that 31% of our shoppers have a total family income of less than \$20,000 and 33% have a family income of less than \$39,999. On this same survey 77% of our thrift store customers said they shopped there because of prices. Thus, it is reasonable to believe these customers don't have substantial discretionary income. By enacting this bill and removing sales tax on nonprofit thrift stores; a sales tax that may even be considered double taxation, would remove an injustice that targets low income individuals which patronize our establishments. This sales tax exemption will not only benefit low income shoppers and nonprofit thrift stores, but also the community. The passage of this bill would leave low income customers with additional discretionary income in their pockets, allowing them to patronize other retailers and service providers, potentially increasing sales tax collections in other areas of the retail and service industry.

Please support Senate Bill 2137. Thank you for your time and attention.



Testimony of Bill Shalhoob  
North Dakota Chamber of Commerce  
SB 2137  
February 1, 2011

Mr. Chairman and members of the committee, My name is Bill Shalhoob and I am here today representing the North Dakota Chamber of Commerce, the principal business advocacy group in North Dakota. Our organization is an economic and geographical cross section of North Dakota's private sector and also includes state associations, local chambers of commerce, development organizations, convention and visitors' bureaus and public sector organizations. For purposes of this hearing we are also representing five local chambers with over 5,000 members. As a group we stand in opposition to SB 2137 and urge a do not pass from the committee on this bill.

We first must ask why non-profits are increasingly opening businesses that were traditionally left to the private sector. The obvious answer is to make money, the same as why an individual or family or number of associates start a business. And if their goal is to make money, to compete in the business world, why should the state be giving a non-profit corporation another advantage over their private sector competitors whose prices will be 5% to 7% higher because they must charge sales tax. They already have numerous advantages in raising capital and lowering overhead. They also have the significant advantage in the way they treat return on investment requirements. We do not feel creating unequal classes of retailers is wise tax policy.

For years this assembly had to try to balance the state budget with income that they did not feel met their needs. There was discussion each session of the many exemptions currently in code and their merits were debated. For the time being we have some money and as a result will create another exemption that will be very difficult to repeal later.

Thank you for the opportunity to appear before you today in opposition to SB 2137. I would be happy to answer any questions.

*THE VOICE OF NORTH DAKOTA BUSINESS*

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1 **TESTIMONY OF DAVID HOGUE IN SUPPORT OF SB 2137**

2 **House Finance and Taxation Committee**

3 **March 14, 2011**

4 **10:00 am**

5  
6  
7 Good Morning Chairman Belter, and members of the committee. My  
8 name is David Hogue. I am a North Dakota Senator representing District 38. I am  
9 the prime sponsor of Senate Bill 2137 and offer testimony in support of its  
10 adoption.

11 Senate Bill 2137 is an old friend. The Senate has rejected this measure  
12 several times before. I wanted to explain to your committee why this time the  
13 Senate Finance and Taxation Committee as well as the full Senate passed this  
14 measure.

15 First of all, this is a tax reduction. It would cut the tax on sales of  
16 merchandise at our non-profit thrift stores.

17 Second, the Senate Finance and Tax Committee looked at the overall  
18 balance of tax cut proposals and concluded this bill fits into the mix of  
19 comprehensive tax cuts to all citizens of North Dakotans. Mr. Chairman, I think

#1 p.2

1 both Finance and Taxation Committees recognize that there is going to be a  
2 mixture of between 50 and 160 million of individual and corporate income tax  
3 reductions. The balance between individual and corporate tax reductions of, as  
4 well as the overall amount of tax reductions, remain undecided.

5 This bill creates some tax relief to our lower income citizens while also  
6 providing needed tax relief for our non profit institutions who operate second  
7 hand stores. During our debate in the Senate, we learned how the non-profits  
8 that run these stores are struggling. One went out of business in capitol city area.

9 Another benefit not generally known is that many non-profits who operate  
10 second hand stores also employ individuals with mild intellectual disabilities. Mr.  
11 Chairman, this employment of disadvantaged individuals represents another  
12 policy reason to support this tax decrease.

13 For all of these reasons Mr. Chairman, I ask for your Committee's favorable  
14 consideration of SB 2137.

Testimony #2



Testimony of Jeb Oehlke  
North Dakota Chamber of Commerce  
SB 2137  
March 14, 2011

Mr. Chairman and committee members, my name is Jeb Oehlke. I am here today representing the North Dakota Chamber of Commerce, the principal business advocacy group in North Dakota. Our organization is an economic and geographical cross section of North Dakota's private sector and also includes state associations, local chambers of commerce, economic development organizations, convention and visitors' bureaus and public sector organizations. For the purposes of this hearing we are also representing five local chambers with total membership of over 5,000 businesses. As a group we stand in opposition to SB 2137 and urge a do not pass from the committee.

We first must ask why non-profits are increasingly opening businesses that were traditionally left to the private sector. The obvious answer is to make money, the same as why an individual, family, or group of partners start a business. And if their goal is to make money, to compete in the business world, why should the state give non-profit groups another advantage over their private sector competitors whose prices will be 5% to 7% higher because they must charge sales tax. Non-profit groups already have numerous advantages in raising capital and lowering overhead. They also have a significant advantage in the way they treat return on investment requirements. We do not feel creating unequal classes of retailers is wise tax policy.

Thank you for the opportunity to appear before you today in opposition to SB 2137. I would be happy to answer any questions.

*THE VOICE OF NORTH DAKOTA BUSINESS*

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