

FISCAL NOTE
Requested by Legislative Council
02/10/2015

Amendment to: HB 1327

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(794,000)	\$(76,000)		
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1327 creates a sales tax exemption for used clothing sales made by a thrift store owned and operated by a nonprofit corporation.

- 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, engrossed HB 1327 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$870,000 in the 2015-17 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 02/12/2015

FISCAL NOTE
Requested by Legislative Council
01/13/2015

Bill/Resolution No.: HB 1327

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(1,324,000)	\$(126,000)		
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1327 creates a sales tax exemption for sales made by a thrift store owned and operated by a nonprofit corporation.

- 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, HB 1327 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$1.450 million in the 2015-17 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 01/18/2015

2015 HOUSE FINANCE AND TAXATION

HB 1327

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1327
1/20/2015
22204

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A Bill relating to a sales tax exemption for sales by a thrift store of a nonprofit corporation.

Minutes:

Attachment #1, 2, 3, 4, 5, 6

Chairman Headland: Opened hearing.

Representative Hogan: Introduced bill. Provided written testimony. See attachment #1.

Chairman Headland: Testimony in support of HB 1327?

Representative Muscha: Provided written testimony for herself and Tracy Ekeren, Program Director of HEART (Helping Enderlin Area Residents Thrive), North Dakota. See attachment #2 and 3.

Cally Musland, Executive Director of The Arc of North Dakota: Provided written testimony in support. See attachment #4.

Chairman Headland: Does your store sell any products that are new or are you just selling used clothing?

Cally Musland: We've tried that in the past. Typically we sell all used clothing. On occasion, maybe once or twice a year, we sell truckload merchandise. This merchandise is expired foods and things that are overstocked from Walgreens or CVS or things we buy from a wholesaler. I'm not sure how many other thrift stores in the state do that.

Chairman Headland: The way this bill is crafted, any new item you sell would be nontaxable?

Cally Musland: I do understand that. Overall, that is very limited sales we have. We maybe have one or two truckloads a year. Those are things that didn't sell in a regular store so they would be items that would otherwise be thrown away or wasted if it wasn't for some of these thrift stores.

Representative Schneider: On page 2 do we want to take the negative signs away on the chart for Fargo one and two?

Cally Musland: That isn't a negative sign, it's an approximation sign.

Representative Haak: How many clients or people do you serve through the ARC in North Dakota?

Cally Musland: In Bismarck it's roughly 175 people. In our larger areas in Fargo and Grand Forks it is probably about the same. It's not really a good gauge for the amount of people we serve. In Bismarck we run several programs for people with disabilities and their families where we can reach 100s of people a year and we are always trying to grow that number. Another reason I'm here for the ARC is that several of our members become members for the discounts they receive at our thrift stores to shop.

Representative Steiner: You don't have Dickinson listed on the sales tax paid. Could you get that for me?

Cally Musland: I would be happy to do that.

Vice Chairman Owens: What is the sales tax in Bismarck?

Cally Musland: Six point five percent.

Vice Chairman Owens: Do you buy the stuff you sell in the store or is it all donated?

Cally Musland: It is all donated except for the occasional truckload merchandise I mentioned earlier and we purchase that from a wholesaler.

Chairman Headland: What do you do with the proceeds that you receive from the donated items?

Cally Musland: The revenue from our thrift store is a funding source for our programs. The ARC of North Dakota is an advocacy only chapter. Several of us run several different programs throughout the state for people with disabilities and that's what we do with that money.

Representative Trottier: What would be your gross sales?

Cally Musland: Our sales went down in 2014 significantly. In Bismarck I think our total sales were \$350,000 last year.

Representative Trottier: What would be the gross sales in all your stores?

Cally Musland: I don't have those numbers. We don't oversee any operations of our local chapters; they are all separate entities and have their own financials.

Chairman Headland: Further support to 1327?

Mark Woodworth, Dakota Boys and Girls Ranch: Provided written testimony in support. See attachment #5.

Vice Chairman Owens: Do you buy any of the stuff you sell?

Mark Woodworth: Some of the merchandise is salvage merchandise that we get from local retailers.

Vice Chairman Owens: Is it most of it?

Mark Woodworth: Probably no more than 40% of what we sell in our stores is going to be salvaged merchandise and the rest has been donated.

Vice Chairman Owens: Do you have any membership charges?

Mark Woodworth: No we don't.

Chairman Headland: Further testimony in support of 1327? Is there any opposition?

Laney Herauf, Government and Regulatory Affairs Specialist for the Greater North Dakota Chamber: Provided written testimony in opposition. See attachment #6.

Chairman Headland: Is there any other opposition to HB 1327? Does anyone have any questions for the tax department? Seeing none we will close the hearing on HB 1327.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1327

2/9/2015

23496

Subcommittee

Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A bill relating to a sales tax exemption for sales by a thrift store of a nonprofit corporation.

Minutes:

Attachment #1

Chairman Headland: This is the sales tax exemption by a thrift store of a nonprofit.

Representative Dockter: We had this last session. In Bismarck we have Dakota Boys Ranch and Goodwill which is for profits but we are looking at getting exemptions for nonprofits. **MADE A MOTION FOR A DO NOT PASS.**

Representative Kading: **SECONDED.**

Vice Chairman Owens: This is competing against similar organizations?

Representative Dockter: Yes. On 3rd street in Bismarck there is Goodwill but it is for profit.

Vice Chairman Owens: I'm very familiar with goodwill but I didn't realize they were for profit.

Chairman Headland: These stores are selling new products as well as used products. For the same reasons it died in the past I think it probably needs to have the same take.

Representative Trottier: In the testimony before there was someone who said a little girl only had a dollar so she couldn't pay the sales tax on her dollar purchase. I had an interesting conversation with someone who said they would've told her the total was \$.92 and with tax would have been a dollar.

Representative Haak: I understand your concerns and I have an amendment. See attachment #1. This would make it from sales to just used clothing; it would not include any new products.

Chairman Headland: We have a do not pass on the table.

Representative Schneider: I can't support a do not pass on this. This is for the poorest people. The used items have already been taxed and the new products were those that were going to the dumps otherwise. This would help a little bit for our struggling families.

Chairman Headland: Everything you said is true, however, the organization is going to be the beneficiary who is not going to collect the tax so it won't be the low income people making the purchases. I think it is well meaning but it creates competitive problems between the for-profits and the nonprofits.

Representative Klein: In view of what's happening with our projections on budgets and so forth, we can't keep giving possible income away at this stage of the game.

Chairman Headland: You have Representative Haak's request to allow her to discuss her amendment. If we're going to do that we are going to need to reconsider our do not pass.

Representative Dockter: WITHDREW MOTION FOR DO NOT PASS

Representative Kading: WITHDREW SECOND FOR DO NOT PASS

Representative Haak: Distributed proposed amendments 15.0629.01001 and explained. See attachment #1. This amendment would change it from sales made by a nonprofit thrift store to used clothing instead of all sales. This would address concerns regarding the new items that were already taxed not to be taxed again.

Representative Trottier: If I take down a new pair of slacks or a shirt how do they determine that for a sale?

Representative Haak: That would determine if you disclosed whether it was used or new.

Chairman Headland: I understand what you're trying to do but I think it will just be an accounting nightmare for a nonprofit. A person with low income who is shopping there really isn't going to see the benefit of this; it's going to be the nonprofit. Nonprofits are supposed to generate their funds by encouraging donations and the sales off of them. They are going to have to remit sales taxes on the other items they sell.

Representative Mitskog: In your last statement the person that is purchasing the goods pays the sales tax and the nonprofit collects the sales tax then passes it on to the state, correct?

Chairman Headland: I believe it is probably done in different ways but yes, the person pays the sales tax. But when we are talking about pricing used items you could price it where the total sales price would be equal to a dollar in the example we heard before.

Representative Mitskog: Fortunately, I don't live in a world where I have to shop at thrift stores but I take care of a lot of patients that do and they have such limited resources. This is about helping the most vulnerable and the neediest in our population.

Representative Strinden: I'm going to resist the do not pass for the same reason that I didn't vote to pass the cigarette sales increase. I really think it's a burden on the poor to have to pay that extra tax. I think that this is a way to help the poorest of the poor.

Representative Trottier: We shop a lot of thrift stores and I see a lot of middle income people in there shopping. Maybe they need a means test when they come in?

Chairman Headland: I would suspect that different organizations are doing things differently. Some are probably charging the sales tax on the transaction and others are probably just gathering the money then remitting the sales tax associated with the volume of sales. It really isn't the person with low income who is benefiting; it's the nonprofit themselves who get the benefit of the tax going away.

Representative Schneider: We didn't have a single for profit store in here complaining about the competition with nonprofits. I think it's probably a stretch to imply that.

Chairman Headland: Could it be that the nonprofit just doesn't want to have to remit the sales tax?

Representative Schneider: I think we're being very insensitive to the poor now. They do collect sales tax. There are really a lot of folks who don't have anything. This is one small thing we can do for the nonprofits and the people who shop there. We need to be sensitive to the lower income taxpayers.

Chairman Headland: Any other discussion on this amendment.

Vice Chairman Owens: We are supposed to be talking about the amendment right now. I understand what Representative Haak is trying to do. The nonprofits came in here and supported no sales tax and if they were here right now and heard this amendment they might be concerned about the administrative nature of having to track this. Because of that I am going to vote against this amendment. Back to the bill, I don't disagree with the others today about the people needing help. I was surprised that the ARC had a \$15 membership to shop there. That doesn't sound like they are helping these people at all. They said the average purchase was \$9 and when I calculated that out you have to make 25 trips there spending \$9 just to equate to that \$15 membership fee to equal out the sales tax if we exempted sales tax.

Representative Strinden: I remember that too but I thought it was an extra membership; you didn't have to have it in order to shop there.

Vice Chairman Owens: Yes, in order to be this special shopper you had to pay the \$15 membership fee. We need the nonprofits to step up and do what they are claiming they want us to do.

Representative Schneider: I've shopped at the ARC thrift stores and I've never had to pay a membership fee. It might be a fundraising tool but it's certainly not a requirement.

Vice Chairman Owens: That's what I didn't understand.

Chairman Headland: We have amendment 01001 offered by Representative Haak.

Representative Froseth: MADE A MOTION TO ADOPT THE AMENDMENT FROM REPRESENTATIVE HAAK.

Representative Haak: SECONDED.

VOICE VOTE: MOTION CARRIED.

Representative Dockter: MADE A MOTION FOR A DO NOT PASS AS AMENDED.

Representative Kading: SECONDED.

ROLL CALL VOTE: 7 YES 7 NO 0 ABSENT
NO RECOMMENDATION

Representative Dockter: MADE A MOTION TO RECONSIDER OUR ACTIONS WHERE WE VOTED TO NOT MAKE A RECOMMENDATION TO THE FLOOR.

Representative Toman: SECONDED.

VOICE VOTE: MOTION CARRIED.

Representative Trottier: Was it ARC who had the six stores? Their gross was \$1,903,000. Most of these are donated items. They do good things in the communities but this is big business.

Representative Froseth: I supported the amendment because I thought that would make it a better bill than it was. I still believe there are some problems with the amendment.

Representative Strinden: When someone gives something to the thrift stores that are brand new with the tags still on they still already paid sales tax on them when they purchased them so we would be double taxing items.

Representative Steiner: Nonprofits can be big business but the people who are paying this are generally low income or middle income. I realize our budget isn't what we were hoping it would be but I think this is reasonable.

Representative Haak: MADE A MOTION FOR A DO PASS AS AMENDED.

Representative Mitskog: SECONDED.

ROLL CALL VOTE: 7 YES 7 NO 0 ABSENT

Chairman Headland: Let's take a quick break and think about this because we really don't want to send this on the floor with a 7-7 vote.

Representative Schneider: There is a provision for sending it to the floor as we voted on it.

Chairman Headland: We don't have a recommendation that has passed so we're going to send it to the floor without recommendation.

SENDING IT OUT WITHOUT COMMITTEE RECOMMENDATION

Representative Hatlestad will carry this bill.

15.0629.01001
Title.02000

Prepared by the Legislative Council staff for
Representative Haak
January 20, 2015

CH
2-9-15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1327

Page 1, line 2, after the second "sales" insert "of used clothing"

Page 1, line 7, after "sales" insert "of used clothing"

Renumber accordingly

Date: 2-9-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1327

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0629.01001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Rep. Froseth Seconded By Rep. Haak

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice vote - Motion carried.

Date: 2-9-15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1327

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0629.01001

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Rep. Dockter Seconded By Rep. Kading

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK		✓
VICE CHAIRMAN OWENS	✓		REP STRINDEN		✓
REP DOCKTER	✓		REP MITSKOG		✓
REP TOMAN		✓	REP SCHNEIDER		✓
REP FROSETH	✓				
REP STEINER		✓			
REP HATLESTAD		✓			
REP KLEIN	✓				
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 7 No 7

Absent 0

Floor Assignment Rep

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

Date: 2-9-15
 Roll Call Vote #: 3

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1327**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Of Not make a recommendation to the floor.

Motion Made By Rep. Dockter Seconded By Rep. Toman

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice vote - Motion carries.

Date: 2-9-15
Roll Call Vote #: 4

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1327

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0629.01001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Refer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Rep. Haak Seconded By Rep. Mitskog

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND		✓	REP HAAK	✓	
VICE CHAIRMAN OWENS		✓	REP STRINDEN	✓	
REP DOCKTER		✓	REP MITSKOG	✓	
REP TOMAN	✓		REP SCHNEIDER	✓	
REP FROSETH		✓			
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN		✓			
REP KADING		✓			
REP TROTTIER		✓			

Total (Yes) 7 No 7

Absent 0

Floor Assignment _____

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

MOTION FAILED.

Date: 2-9-15
 Roll Call Vote #: 5

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1327**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: \$

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider Do Not Pass

Motion Made By Motions for Do Pass + Do Not Pass failed so committee decided to send to floor Seconded By _____
without recommendation. No motions made.

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Hatlestad

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

Voice vote = Motion carried.

REPORT OF STANDING COMMITTEE

HB 1327: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1327 was placed on the Sixth order on the calendar.

Page 1, line 2, after the second "sales" insert "of used clothing"

Page 1, line 7, after "sales" insert "of used clothing"

Renumber accordingly

2015 TESTIMONY

HB 1327

HB 1327
1-20-15
#1

Testimony in support of
HB 1327
January 12, 2015
By Kathy Hogan, Rep. District 21

Chairman Headland and members of the House Finance and Taxation Committee, for the record, my name is Kathy Hogan. I represent District 21 which is the heart of Fargo and the poorest district in North Dakota outside the reservations.

House Bill 1327 is a simple bill that would eliminate sales tax at not-for-profit thrift stores. This bill has a number of impacts. It will help the not for profit community provide a range of services. It will be a decrease in state general funds but not as dramatic as other options being considered. My primary concern in introducing the bill is the impact on low and moderate income families.

Most people who routinely utilize thrift stores have very limited incomes. Last summer after dropping donations off at the St. Vincent's thrift store in Fargo, I decided to go into the store and purchase some books for my 3 year old granddaughter. At the book section, I encountered a 5 or 6 year old girl going through the books. Her mother was buying clothes for her year old brother. The young lady had one dollar to spend and each book cost 25 cents. She struggled to pick her favorite four books and finally made her decision. I was several people behind her in line at the checkout. Her mother went through first and when the girl gave the clerk her books, the clerk said it would be 1.06. The girl panicked because she didn't have the six cents. Neither did her mother. Thankfully, the woman next in line offered the six cents and the girl thanked her.

Sales tax is the most regressive tax we have. Reducing this tax will help those in our state who struggle the most with day to day needs. I urge your support of HB 1327. I am more than willing to answer any questions.

Rep. Naomi Muscha
Dist 24

HB 1327
1-20-15
2

Enderlin has no store that Encore competes with as we only have a grocery store, hardware store and meat locker. We have several elderly, especially widows that rarely, if ever, drive. As a result, our thrift store provides a location for them to purchase such items that aren't available at the other stores.

I am a regular volunteer at Encore and will try to help you see how valuable such stores can be in small towns. We have several area women who sew but have no other stores that carry sewing supplies. Our nearest town, Lisbon, doesn't have such a store either. One idea a volunteer had was to cut buttons off of clothing items that are too worn to sell and then sew the buttons onto a recipe card/notecard, which is then put in the store for sale. Citizens of small towns are still made of "good North Dakota stock" and can be very creative, just like our grandparents had to be in the "dirty 30s".

I hope you will encourage the passage of 1327. Thank you and I'd be happy to answer any questions.

HB 1327
1-20-15
#2

HB 1327

Finance and Taxation

January 20, 2015

My name is Tracy Ekeren, the Program Director of HEART (Helping Enderlin Area Residents Thrive), in Enderlin, North Dakota. HEART is a community based, home services program. We are financed through grants, donations and our local thrift store, Encore.

In reference to HB 1327, we at the Encore Thrift Store, are in favor of sales made at non-profits be exempt from sales tax. We think it will have a positive effect on our sales if customers do not have to pay an additional tax. We also have gotten feedback from customers that they are frustrated they have to pay a tax on items that were taxed the first time they were sold.



HB 1327
1-20-15
\$ p. 1
4

House Finance & Taxation Committee
January 20, 2015
HB 1327

Chairman Headland and members of the committee, my name is Cally Musland. I am the executive director of The Arc of North Dakota, which includes all six Arc chapters in the state: Bismarck, Bowman, Dickinson, Fargo, Grand Forks, and Valley City. I also serve as the executive director of The Arc of Bismarck and oversee the operations of our Bismarck thrift store. Our mission is to improve the quality of life of people with intellectual and developmental disabilities and actively support their full inclusion and participation in the community.

The Arc of North Dakota supports the intent of HB 1327. Across Arc chapters nationwide, thrift stores are a common model used to carry out the activities of our nonprofit organization. Thrift stores generate a regular source of funding for our programs and operations. Here in Bismarck, the revenue from our thrift store helps to fund our programming and educational activities for people with disabilities and their families. All six of our local chapters in North Dakota operate thrift stores that function in this manner, serving as a funding stream for Arc chapter activities. In total, The Arc of North Dakota's affiliated chapters operate eight thrift stores that are vital to our efforts in the state.

Our customer base varies, but is largely low to moderate income (LMI) individuals, which includes people with disabilities. Historically, people with disabilities represent low-income earners of the population. The location of our thrift stores is also very important to our business, as transportation is an issue for people with disabilities and some LMI individuals. In Bismarck, The Arc Thrift Store is located in an area identified by the city of Bismarck and the U.S. Census Bureau as a low to moderate income area. Our thrift store is often

frequented by individuals living in this area who can easily access the store without needing transportation.

I have included some figures (below) in the tables on page 2 of my testimony to aid committee members in measuring the potential impact of this bill.

The first table displays the total amount of sales tax paid per the given fiscal years at five Arc thrift stores located in Bismarck, Fargo, Grand Forks, and Devils Lake. The sum of the sales tax paid at these locations total \$123,749.93, with a 2014 average of approximately \$25,000 paid per location.

LOCATION/STORE	2014 SALES TAX PAID (\$)	DAYS OF OPERATION/WEEK
Bismarck	21,258.93	6
Fargo 1	~26,000.00	7
Fargo 2	~49,000.00	7
Grand Forks	21,969.00	6
Devils Lake	5,522.00	6
TOTAL	123,749.93	
AVERAGE	24,749.99	

The second table shows some statistics and numbers that are specific to our Bismarck thrift store.

BISMARCK		
	FY 2013	FY 2014
Sales Tax Paid (\$)	\$27,746.44	\$21,258.93
Transactions	45,520	36,261
Avg sales tax paid/transaction	\$0.61	\$0.59

Many of our customers are repeat shoppers, frequenting our store on a daily or weekly basis. The frequent shopper is often a low to moderate income earner and sales tax represents a higher percentage of their income.

This bill has the potential to help a lot of people, not only the low to moderate income individuals that shop at thrift stores and could use the extra cash in their pockets, but also the people who are helped by the efforts of The Arc. We might be able to attract new customers into our store that may be interested in the work The Arc does to improve the lives of people with disabilities, and thus, grow our membership and expand our reach.

The Arc of North Dakota supports a do pass recommendation from the committee on HB 1327.

Testimony representing Dakota Boys and Girls Ranch
House Finance and Taxation Committee
In Support of HB 1327
January 20th, 2015

HB 1327
1-20-15
#5 p.1

Chairman Headland and Members of the Committee:

Dakota Boys and Girls Ranch specializes in residential and outpatient services serving children and families. Our thrift store operation provides significant financial support for those programs and services, and includes seven stores and three warehouses in six communities across North Dakota. All profits from the thrift stores stay right here in North Dakota.

In 2014, Dakota Boys and Girls Ranch remitted approximately \$375,000 in sales tax. House Bill 1327 would be good for the citizens of North Dakota who shop in our stores. We have a diverse customer base, whether it be the Single Parent, the New American/Immigrant, the Middle Class Family, the Senior Citizen on a fixed income, a recent College graduate or someone who is financially conservative; they all visit our locations to make their dollar go further. Here are some examples of North Dakotans who chose to shop at our thrift stores to get the most out of their budget.

Just last week, a woman came into one of our stores who had been in an emotionally abusive relationship for the past 6 years. She finally had made the decision to leave that situation and was moving into her own apartment. She stated to us that if it weren't for DBGR, she would not be able to afford to make this life changing decision.

Another example is the countless number of teachers who shop at thrift stores to purchase supplies for their classrooms, such as books, reward prizes and classroom decorations. These items are being paid for out of their own personal funds.

We have several small/independent business owners who shop at our stores so they can save money for other expenses. Examples would be the hair stylist or massage therapist who purchased items to decorate their work space and waiting room areas or the caterer who purchased serving trays and centerpieces from us to help get her business off the ground.

Every August, we have families who come in and get all of their kids' back-to-school clothes and supplies from the thrift stores. Many state they would not have any option to purchase the large volume of items any other way.

All the above examples are those of people who would greatly benefit from the tax exemption on items sold by non-profit thrift stores. We could list several more. Many of our customers are on tight budgets and would appreciate a way to make their dollar go as far as possible. While there is no concrete data, from the experiences at our thrift stores we could estimate that at least 60% of our customer base is either lower income or on fixed incomes.

#5
~~4~~.2

An argument could also be made that most items that are sold at second hand stores have already had sales tax assessed on them. Are these items being subjected to a double tax?

For these reasons, I would ask that this committee recommend a 'Do Pass' on House Bill 1327.

Thank you for your time today and for representing the people of your districts.

HB 1327
1-20-15
#6

Testimony of Laney Herauf
Greater North Dakota Chamber of Commerce
HB 1327
January 20, 2015

Mr. Chairman and members of the committee, my name is Laney Herauf; I am the Government and Regulatory Affairs Specialist for the Greater North Dakota Chamber. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we stand in opposition to House Bill 1327.

Thrift stores are businesses like every other in the state. One difference is that they often have their merchandise donated and workforce in a volunteer capacity so overhead costs are incredibly low. Because of this, merchandise is found at a much lower price than retail value. Thrift stores hold a great place in communities and provide a noble service.

Offering tax exemptions to thrift stores creates unfair policy in relation to other businesses. The purpose of gathering sales tax is to receive money on all goods being sold in the state. Sales taxes go to many valuable programs at the city and state level. To give one small subsection a tax exemption is unfair to all other businesses in the state. It gives thrift stores and unfair advantage in comparison to other clothing stores, furniture stores, home goods stores, and the list goes on and on. If we want to create a tax exemption for certain subsections of goods, such as all clothing, we can have that discussion, but to give one class of retailers and advantage over another is not good policy. We respectfully request a do not pass on House Bill 1327.

Thank you and I would be happy to entertain any questions.

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Title.

Prepared by the Legislative Council staff for
Representative Haak

January 20, 2015

HB 1327
2-9-15

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PROPOSED AMENDMENTS TO HOUSE BILL NO. 1327

Page 1, line 2, after the second "sales" insert "of used clothing"

Page 1, line 7, after "sales" insert "of used clothing"

Renumber accordingly