

FISCAL NOTE
Requested by Legislative Council
12/19/2014

Bill/Resolution No.: SB 2094

- 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						
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).*

SB 2094 provides a sales tax exemption for molds used in manufacturing.

- 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.*

These types of molds are currently exempt under the existing provisions of the sales tax exemption for manufacturing. If SB 2094 is enacted, there would be no additional fiscal impact.

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 SENATE FINANCE AND TAXATION

SB 2094

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2094
1/20/2015
Job Number 22199, @ meter 1:34

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Relating to a sales tax exemption for molds used in manufacturing; and to provide an effective date.

Minutes:

Attachment #1, 2

Chairman Cook opened the hearing on SB2094.

Senator Sorvaag, State Senator, District 45. (Attachment #1)

Senator Triplett -- Can you give us a timeline when you say the tax department first ruled they were not tax exempt and then later changed its opinion. When those 2 things each happened?

Senator Sorvaag -- I was approached September/October, 2014, by this company. I was notified probably a week ago that they had changed their ruling. That's why I'm wondering if we should just pull the bill but decided we would go forward and let you guys discuss it.

Chairman Cook -- Are you sure it was an initial ruling, or was it an audit?

Senator Sorvaag -- I was called by our economic development people and the manager of the company came down from Canada and met with me and they were very concerned. They were told they weren't going to get the exemption.

Chairman Cook -- I'm thinking it was probably an audit that was done on the company and the auditor flagged this and said this is taxable.

Senator Sorvaag -- I was asked if I would bring a bill forward to address the issue.

Justin Dever, Manager, Office of Innovation & Entrepreneurship, ND Department of Commerce, testifying in support of this bill. **(Attachment #2)**

Dana Bon, Economic Development Association of North Dakota

We took a board position in favor of the bill, prior to the tax department fixing this. We still stand in support of the bill.

Senator Dotzenrod -- At the Bobcat plant in Gwinner and other North Dakota manufacturers, when they do use these molds, there's not a separate customer that owns the mold so when they do those molds in those factories, are they paying sales tax?

Chairman Cook -- I'd say Bobcat is not paying sales tax.

Senator Triplett -- Is anyone here from the tax department that could explain?

Chairman Cook -- We'll get someone here. I think the challenge is they make many different parts and very unique to the customer that wants them, and so the customer is buying the mold.

Chairman Cook closed the hearing on SB2094.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2094
1/26/2015
Job # 22534

- Subcommittee
 Conference Committee

Committee Clerk Signature

monson for Alice Love

Explanation or reason for introduction of bill/resolution:

Minutes:

Chairman Cook opened committee work on SB 2094. He reviewed the bill and fiscal note for the committee members.

Senator Bekkedahl moved a **Do Pass**. Seconded by **Senator Unruh**.

Roll call vote: 5-2-0. **Motion carried. Carrier is Senator Unruh.**

Date: 1.26.15

Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2094**

Senate 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 _____

Motion Made By Sen. Bekkedahl Seconded By Sen. Unruh

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chairman Lonnie Laffen	✓		Senator Connie Triplett		✓
Senator Brad Bekkedahl	✓				
Senator Dave Oehlke		✓			
Senator Jessica Unruh	✓				

Total (Yes) 5 No 2

Absent 0

Floor Assignment Senator Unruh

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

REPORT OF STANDING COMMITTEE

SB 2094: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2094 was placed on the Eleventh order on the calendar.

2015 HOUSE FINANCE AND TAXATION

SB 2094

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2094
3/4/2015
24315

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Buckner

Explanation or reason for introduction of bill/resolution:

A bill relating to a sales tax exemption for molds used in manufacturing.

Minutes:

Attachment #1, 2

Chairman Headland: Opened hearing.

Senator Sorvaag: Introduced bill. Distributed testimony. See attachment #1.

Chairman Headland: It's clarifying current procedure within the tax department on exemptions for these particular molds.

Senator Sorvaag: Yes, if a customer is using a mold that is used for manufacturing. It's for future clarity.

Chairman Headland: There is no fiscal impact?

Senator Sorvaag: No.

Chairman Headland: Is there any testimony in support?

Justin Dever, North Dakota Department of Commerce: Distributed testimony. See attachment #2.

Representative Steiner: Do you know if this would apply to the possible plastic beads plant, the \$4 billion one that is floating around?

Justin Dever: There is a separate bill, SB 2035, that would apply to that. A facility like that would qualify under the manufacturing exemption. SB 2035 expands it to have a specific exemption that would not only include the equipment but would also include construction materials tied to that plant.

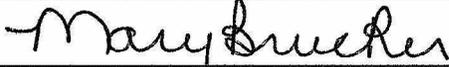
Chairman Headland: Is there further testimony in support? Is there any opposition? Are there any questions for the tax department? Seeing none we will close the hearing.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2094
3/11/2015
24684

- Subcommittee
 Conference Committee

Committee Clerk Signature 

Explanation or reason for introduction of bill/resolution:

A bill relating to a sales tax exemption for molds used in manufacturing.

Minutes:

No attachments

Chairman Headland: This has no fiscal effect because they are already getting an exemption on molds for manufacturing under the current statute for the sales tax exemption for manufacturing.

Representative Hatlestad: Made a motion for a do pass.

Representative Trottier: Seconded.

Roll call vote: 7 yes 6 no 1 absent

Motion carried for a do pass.

Representative Hatlestad will carry this bill.

Date: 3-11-15
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2094**

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 _____

Motion Made By Rep. Hatlestad Seconded By Rep. Trottier

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	AB				
REP TROTTIER	✓				

Total (Yes) 7 No 6

Absent 1

Floor Assignment Rep. Steiner Hatlestad

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

REPORT OF STANDING COMMITTEE

SB 2094: Finance and Taxation Committee (Rep. Headland, Chairman) recommends DO PASS (7 YEAS, 6 NAYS, 1 ABSENT AND NOT VOTING). SB 2094 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

SB 2094



North Dakota Senate

State Capitol
600 East Boulevard Avenue
Bismarck, ND 58505-0360

Senator

Ronald Sorvaag
District 45
3402 Birdie Street North
Fargo, ND 58102-1201

rsorvaag@nd.gov

Committees:

Appropriations

#1

SB2094

January 20, 2015

Chairman Cook and Members of the Senate Finance Tax Committee

Presently there is a Sales tax Exemption for manufacturing or recycling machinery and equipment and primary sector business computer and telecommunications equipment.

The century code reads to be exempt you must be the manufacturer, recycler or primary sector business.

The issue is when molds are produced for the manufacturing process and they are purchased by the customer. These molds can only be used for manufacturing and there is a question whether they are sales tax exempt.

The Tax Department first ruled that the molds were not tax exempt because they are owned by the customer. This is the reason SB2094 was drafted, since the time the Tax Department as change the opinion and said that they would give tax exemption for manufacturing molds purchased by the customer.

I decided after talking with the Commerce Department to go forward with bill, and make it clear for the future that purchases would be exempt.

Attached is a copy of a map of what other States and Providences do on this matter.

Hopefully the committee with give this a do pass.

I would be glad to answer any questions.

Sen. Ronald Sorvaag
District 45

1.2
2094
1-20-15

Regional Map of U.S. & Canada

This map represents a general outline of Regions.

✓ - exemption for manufacturing tooling

✗ - no exemption



2.
1-20-15

**DEPARTMENT OF COMMERCE TESTIMONY ON SENATE BILL 2094
JANUARY 20, 2015, 11:15 A.M.
SENATE FINANCE AND TAXATION COMMITTEE
LEWIS & CLARK ROOM
SENATE DWIGHT COOK, CHAIRMAN**

**JUSTIN DEVER – MANAGER, OFFICE OF INNOVATION & ENTREPRENEURSHIP, ND
DEPARTMENT OF COMMERCE**

Good morning, Mr. Chairman and members of the committee, my name is Justin Dever and I manage the Office of Innovation and Entrepreneurship for the North Dakota Department of Commerce.

Senate Bill 2094 provides clarification that manufacturing molds purchased by a customer are eligible for the sales tax exemption for manufacturing equipment. You will notice that the fiscal note states that there will be no fiscal impact as the Tax Department already considers these as being eligible.

Advanced manufacturing is one of the state's five target industries and plays an important role in diversifying our economy. The clarity provided in SB 2094 could prove helpful in discussions with manufacturers that are considering expansions or new locations within the state. They will be able to see in the law that this activity qualifies.

Mr. Chairman and members of the Finance and Taxation Committee, that concludes my testimony and I am happy to entertain any questions.

SB 2094
3-4-15
#1

SB2094

March 4, 2015



North Dakota Senate

State Capitol
600 East Boulevard Avenue
Bismarck, ND 58505-0360

Senator

Ronald Sorvaag
District 45
3402 Birdie Street North
Fargo, ND 58102-1201

rsorvaag@nd.gov

Committees:

Appropriations

Chairman Headland and Members of the House Finance Tax Committee

Presently there is a Sales tax Exemption for manufacturing or recycling machinery and equipment and primary sector business computer and telecommunications equipment.

The century code reads, to be exempt you must be the manufacturer, recycler or primary sector business.

The issue is when molds are produced for the manufacturing process and they are purchased by the customer. These molds can only be used for manufacturing and there is a question whether they are sales tax exempt.

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I decided after talking with the Commerce Department to go forward with bill, and make it clear for the future that purchases would be exempt.

Hopefully the committee with give this a do pass.

I would be glad to answer any questions.

Sen. Ronald Sorvaag
District 45



SB 2094
3-4-15
#2

**DEPARTMENT OF COMMERCE TESTIMONY ON SENATE BILL 2094
MARCH 4, 2015, 9:30 A.M.
HOUSE FINANCE AND TAXATION COMMITTEE
REPRESENTATIVE CRAIG HEADLAND, CHAIRMAN**

**JUSTIN DEVER – MANAGER, OFFICE OF INNOVATION & ENTREPRENEURSHIP, ND
DEPARTMENT OF COMMERCE**

Good morning, Mr. Chairman and members of the committee, my name is Justin Dever and I manage the Office of Innovation and Entrepreneurship for the North Dakota Department of Commerce.

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Mr. Chairman and members of the Finance and Taxation Committee, that concludes my testimony and I am happy to entertain any questions.