

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/19/2015**

Bill/Resolution No.: SB 2286

- 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 2286 will expand the endowment fund income tax credit law to allow an endowment fund to be held by a tax-exempt organization in a state bordering North Dakota that supports a health or nursing home facility located outside North Dakota but near certain North Dakota cities with no hospital.

- 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.*

Current law provides that a North Dakota qualified endowment fund must be held by a tax-exempt organization that is incorporated or established in North Dakota and has a physical location in North Dakota. SB 2286 will expand the law to allow a fund to be held by a tax-exempt organization incorporated or established in a state bordering North Dakota and having no physical presence in North Dakota if it meets certain conditions. The conditions are that the organization must support or benefit a hospital, nursing home, or medical center located outside North Dakota that is within 5 miles of a North Dakota city with a population of 5,000 or more that does not have a hospital.

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.*

If enacted, SB 2286 may reduce the state general fund revenues for the 2015-17 biennium. The amount of the reduction, if any, cannot be determined because the number of funds that may be established and the potential amount of contributions that may be made are unknown.

- 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:** 01/24/2015

**2015 SENATE FINANCE AND TAXATION**

**SB 2286**

# 2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Lewis and Clark Room, State Capitol

SB 2286  
1/26/2015  
Job # 22508

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Remoxson for Alice Grove*

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

Relating to charitable gifts and qualified endowments income tax credit for charitable gifts to a border city hospital, nursing home, or medical center foundation.

## Minutes:

Attachment #1, #2

**Chairman Cook** opened the hearing on SB 2286.

**Senator Larry Luick** (District 25) introduced SB 2286. He talked about the jurisdictional borders in the southeast corner of the state. Everything they do on the North Dakota side has a direct relationship to what's happening on the MN side in that they have to get approval from the surrounding states. The communities involved are very wide spread. The problem is that the hospital in that area is on the MN side. The bill is recognition of the community involvement of this hospital and how important it is to look at the possibilities to help it out.

**Senator Cook** asked if it was safe to say that St. Francis is going to be the only beneficiary of this bill.

**Sen. Luick** answered that was correct.

(03:12) **Mary Mauch** - Barney ND (Board Chair of the St. Francis Medical Center) She provided testimony in support of SB 2286 which allows North Dakota citizens to support local health care through tax credit donations. (Attachment #1)

(06:09) **David Nelson** (President of St. Francis Medical Center) He provided two maps to the committee - one giving a flavor of how they are in that corner of North Dakota and the other showing the service area they cover. (Attachment #2) He supports this bill which is important for North Dakota citizens. They have the ability to be able to provide a tax credit donation to the endowment program at St. Francis. It is important because these programs will sustain the resources that come from that endowment into the future for the programs already established in that community - all the areas they support to make care in a rural setting accessible for the citizens there.

**Mary Jacklitch** (a North Dakota citizen serviced by St. Francis) offered her support of SB 2286.

There was no further testimony.

(08:10) **Sen. Dotzenrod** wanted to clarify how the law works now and asked if it affects other filers other than individuals - corporate, foundations, non-profits.

(09:40) **Joe Becker** (North Dakota Tax Dept.) responded that contributions to a tax exempt organization that is a charitable organization for federal purposes would be a deduction on your federal tax return. Both Minnesota and North Dakota rely on federal taxable income as a starting point. Therefore, that benefit will flow through and that deduction will affect the starting point on both the Minnesota and North Dakota side of the equation. You get the deduction at both the federal level as well as the state. This bill is amending a current statute that allows any type of taxpayer to get a North Dakota income tax credit for contributing to certain endowment funds held by certain non-profits.

The current statute will say you can have the credit but you can't have the deduction. It's one or the other. There is still a benefit at the federal level because of the deduction. There is a benefit at the state level either because of the deduction or the credit which would be more valuable if you can get it.

**Sen. Dotzenrod** asked for clarification that current law allows the taxpayer to get the deduction that flows through from their federal return but they are not entitled to get the credit. Or, on the other hand, they could take the credit if they allowed the deduction to be taken back out of the return they filed at the federal level.

**Mr. Becker** confirmed that is how it works and said that if they are eligible they will take the credit because it is more valuable. That is the current state of the law. This bill will expand the statute to say that non-profit can be outside the state under the conditions set out in the bill.

**Sen. Dotzenrod** asked if, under current law, the taxpayer would be denied some of that tax benefit that they would obtain if this bill passed.

**Mr. Becker** provided an example (12:45).

**Sen. Cook** asked what percentage the credit is (14:00).

**Mr. Becker** replied 40% - 20,000 for joint filers - credit is allowed in year of contribution and the three subsequent years if you can't use it all.

**Sen. Dotzenrod** asked if there is a fiscal effect.

**Mr. Becker** answered that they would anticipate one if this passes.

**Sen. Triplet** (15:00) felt it would be helpful to know what the current fiscal impact is.

**Mr. Becker** (16:15) replied that looking at the 2013 tax year approximately 968 individual filers made a contribution. The total credit allowed on the 2013 return was just over \$5 million. There are some corporate filers but that is a much smaller number.

**Sen. Oehlke** for clarification stated that the way the bill is written it only affects one hospital which is St. Francis in Breckenridge. That would make a difference in how many people are interested in endowments for that facility.

(17:45) **Sen. Bekkedahl** asked if Minnesota has this same dispensation in current law that would allow their residents to participate in North Dakota hospitals or facilities under this type of a system.

**Mr. Becker** didn't have the answer but said he could check on it.

(18:09) **David Nelson** offered information that in Minnesota they are trying to work on that as a tax credit like North Dakota.

**Sen. Bekkedahl** asked if this bill would be helpful to that cause.

**Mr. Nelson** answered that it would probably set a precedent in the future - setting the groundwork going forward that you would have both options.

**Sen. Cook** said that, if the bill is passed, with the committee they created the first piece of information they will have to have is a fiscal note on all tax expenditures.

**Sen. Cook** closed the hearing on SB 2286.

**Sen. Dotzenrod** moved a **Do Pass** on SB 2286. Seconded by **Sen. Unruh**.

**Roll call vote 7-0-0. Motion carried.** Carrier is **Sen. Dotzenrod**.

Date: 1-26-15

Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO 2286**

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. Dotzenrod 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) 7 No 0

Absent 0

Floor Assignment Senator Dotzenrod

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

**REPORT OF STANDING COMMITTEE**

**SB 2286: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2286 was placed on the Eleventh order on the calendar.**

**2015 HOUSE FINANCE AND TAXATION**

**SB 2286**

# 2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2286  
3/10/2015  
24581

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Mary Brucher*

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

A bill relating to a charitable gifts and qualified endowments income tax credit for charitable gifts to a border city hospital, nursing home, or medical center foundation.

## Minutes:

No attachments

**Chairman Headland:** Opened hearing.

**Senator Luick:** Introduced bill. This bill identifies a specific medical center foundation in Breckenridge Minnesota for the purpose of trying to acquire some endowment funds through tax credits. Because of our location we are land locked and with Wahpeton being on the North Dakota side of the river and Breckenridge is on the Minnesota side of the river the hospital in our region is in Minnesota. The problem we have is under North Dakota law that facility doesn't qualify for tax credits because they are out of state. This bill is asking for some means to let this happen in that area.

**Chairman Headland:** We'll take testimony in support.

**Julie Mauch, resident of southeastern North Dakota:** My husband and I farm south of Barney. We are North Dakota residents. St. Francis Hospital is across the river in Minnesota which makes our hospital ineligible to benefit from gifts made from donors to the foundation's endowment funds. I'm asking for your support of SB 2286. St. Francis plays an important role in Richland County. Our medical services in Barney have received automated external defibrillator devices from St. Francis as a result of a grant. They've placed 46 of those devices in Richland County so they play an important role in helping the communities we live in.

**Representative Klein:** You're next closest hospital is in Fargo?

**Julie Mauch:** Yes and it's an hour away from where I live. St. Francis is about a half hour away.

**Chairman Headland:** Further testimony in support?

**Mary Jackletch, resident of Wahpeton:** St. Francis plays a big role in the healthcare in our communities. I ask your support of SB 2286. It is going to sustain healthcare for our rural community.

**David Nelson, President of St. Francis Health:** This organization has an endowment fund. We want to have the opportunity for the North Dakota citizens to make contributions if they choose and receive tax credit or making their own contribution without the tax credit. This opportunity enables St. Francis to represent and support the communities in southeast North Dakota. One of the elements we have is that's its unique because we are a border facility and we are a trauma designation of North Dakota. The ability for people under the tax credit is to give them the opportunity that if they live in that community to be able to support their community hospital. Currently in Minnesota they are looking at using the same program as North Dakota under the tax credit.

**Chairman Headland:** Couldn't you create an endowment located in North Dakota specific for your hospital?

**David Nelson:** It may be possible but the way it was talked about with the charitable nonprofit organizations it's where you're incorporated and the incorporation is in Minnesota. That would be another burden and would be extra expense in going forward to create another endowment. Our endowment fund right now is a small dollar endowment fund; we don't have a large amount of money in the endowment fund. It is supported by the hospital on the operation side to make that endowment work for the citizens.

**Representative Steiner:** On page 1 line 3, if this bill is intended only for the hospital why are the others listed?

**David Nelson:** That represents our total organization and total of what we have on that campus. We have the foundation, we have the nursing home, and the medical center so it's representing all those organizations under one.

**Chairman Headland:** Is there further support? Is there any opposition? Are there any questions for the tax department?

**Matt Peyerl, Office of State Tax Commissioner:** Mr. Nelson made a comment about being incorporated in North Dakota as one of the requirements. There's also the ability if you have a North Dakota establishment you would qualify so if you had a satellite clinic of some sort that would qualify. You have to have some sort of presence is how the statute has been administered this far.

**Chairman Headland:** If we were to pass this are we going to open ourselves up to other border institutions and wants access to North Dakota money?

**Matt Peyerl:** I believe the restriction of five miles and the population of 5,000 in which there is no hospital are restrictions that get to the sponsor's intent of having it apply to only one. You can't specify a city but you can narrow the requirements so you target who you're trying to target. I believe that's being accomplished.

**Chairman Headland:** That might be true but we know how things work around here and the targets are moving targets in a lot of cases.

**Matt Peyerl:** It's a credit for the contributor. You can have Minnesota residents earn a North Dakota tax credit but unless they have some North Dakota sourced income it's just going to go unused. If you have a business owner in Minnesota that has part of its business operations in North Dakota so some of their income is taxed in North Dakota some of that credit could be used against their North Dakota tax.

**Representative Froseth:** Is there a medical facility in Wahpeton? If there is who owns that; is it a nonprofit?

**David Nelson:** We have two medical clinics at Sanford Health in Wahpeton and Essentia Health in Wahpeton. I believe their structure is a nonprofit organization.

**Chairman Headland:** Are there any other questions for anyone else? Seeing none we will close the hearing on SB 2286.

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2286  
3/10/2015  
24596

- Subcommittee  
 Conference Committee

Committee Clerk Signature



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

A bill relating to a charitable gifts and qualified endowments income tax credit for charitable gifts to a border city hospital, nursing home, or medical center foundation.

### Minutes:

No attachments.

**Chairman Headland:** I understand what they're trying to do but I have concerns that we're going to open up a can of worms.

**Representative Schneider:** Do you see some possibilities right now for opening up the flood gates on this? Were there other towns? I don't think there were any other towns on the eastern side of the state.

**Chairman Headland:** I don't know. Maybe the bill is tight enough the way it is written that it could pertain to just this one hospital but we know how things get expanded.

**Representative Mitskog:** It's unique in Wahpeton-Breckenridge because the medical facility is in Breckenridge. To the north of us the medical facilities are in Fargo and Grand Forks. St. Francis in our area is vital. They provide outreach and they are out in the rural areas. They really need this and this would be significant in helping their foundation. I can't see any other healthcare in North Dakota that would fall under this.

**Chairman Headland:** Do North Dakota hospitals currently have endowments?

**Representative Mitskog:** Sanford has a foundation.

**Representative Klein:** I think all the hospitals have foundations.

**Vice Chairman Owens:** The question isn't if they have foundations the question is does Minnesota have a tax credit for North Dakota hospitals. I have a hard time building a tax credit or anything like that for another state and for an organization in another state. Their whole hospital is built on serving a metropolitan statistical area that's three or four counties and some of those counties are in North Dakota; it was planned that way.

**Representative Froseth:** Sidney, Montana could probably fall under those parameters.

**Representative Steiner:** There's a five mile limit in here.

**Chairman Headland:** But you're opening the door to an out of state located entity. Next time they could come in and expand it to 50 miles.

**Representative Klein:** On page 3 I think it closes it up pretty good with being a city of a certain size and within so many miles.

**Representative Steiner:** I would support this bill because they are serving a rural area. It is very unlikely that Wahpeton would build a hospital in response to if this hospital continues operating and doing a good job. I think it serves our purposes to cooperate with it and not allow a state border to be an issue. You certainly don't want Wahpeton to build a brand new hospital just because of the state lines. We're always trying to compete with Minnesota and this is something where we can enhance our own quality of life for our rural residents without building a brand new hospital.

**Chairman Headland:** But you're doing it at the expense of state revenue which impacts everybody in the whole state when you provide this credit.

**Representative Trottier:** I agree with you for the most part but I believe we should deal with what we have here and when the issue arises we can address it at that time.

**Chairman Headland:** I think the senior mills that we just voted on are a great example of opening that can of worms and seeing what comes following. I'm not going to support the bill. I don't think we should open this can of worms.

**Representative Mitskog: Made a motion for a do pass.**

**Representative Haak: Seconded.**

**Chairman Headland:** I'm going to reject the do pass motion.

**Roll call vote: 8 yes 6 no 0 absent**

**Motion carries for do pass.**

**Representative Mitskog will carry this bill.**

Date: 3-10-15  
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2286**

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. Mitskog 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) 8 No 6

Absent 0

Floor Assignment Rep. Mitskog

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

**REPORT OF STANDING COMMITTEE**

**SB 2286: Finance and Taxation Committee (Rep. Headland, Chairman) recommends DO PASS (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). SB 2286 was placed on the Fourteenth order on the calendar.**

**2015 TESTIMONY**

**SB 2286**

## Senate Committee Membership

Today I am here to testify in support Senate **Bill 2286** to amend and reenact section 57-38-01-.21 of the North Dakota Century code, relating to charitable gifts and qualified endowment income tax credit for charitable gifts to a border city hospital, nursing home, or medical center foundation;

60% of the patients served by St Francis medical center are North Dakota residents

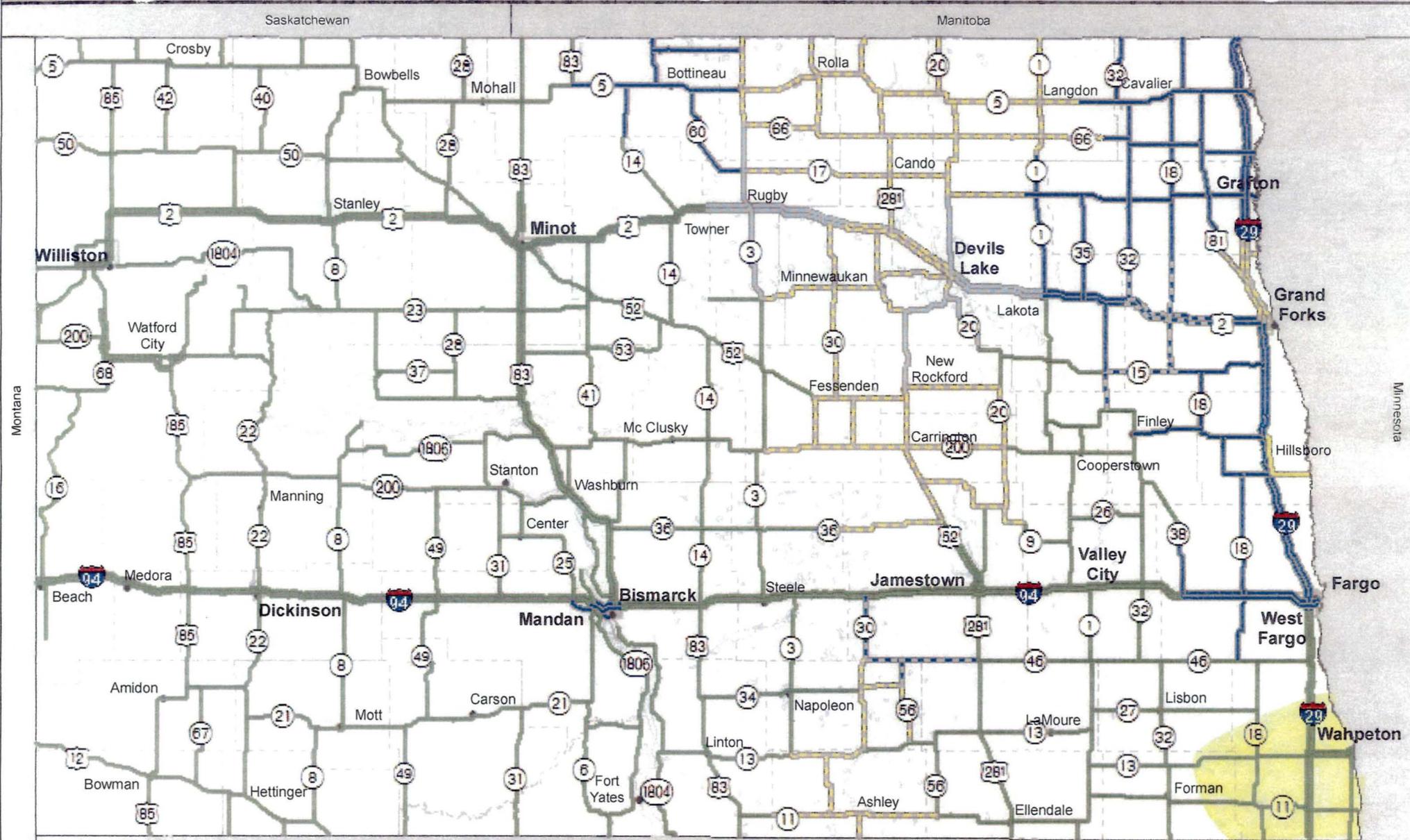
## The impact St Francis has in the community

- St. Francis supports a Rural Health Clinic in Milnor North Dakota with Advance practice provider
- St. Francis foundation distributes scholarship to individuals pursuing health care careers to sustain a health care work force in North Dakota.
- St. Francis has received over \$500,000 in grants that have been redistributed over the last three years in programs and services, a prime example is AED devices to fire department, ambulance providers and public entities in rural North Dakota communities. Addressed community violence prevention programs in collaboration with North Dakota public health.

St. Francis plays a significance role in building healthy communities for North Dakota residents. Having individuals able to make a financial contribution to the endowment fund of charitable organizations helps build and sustain health care programs and in our rural communities for North Dakota citizens served by St. Francis.

Thank you for your support today on this bill

# North Dakota Road Conditions/Closures/Incidents



Current as of: 01/23/2015 10:53 AM

Updated daily 5:00 AM - 9:30 PM CT

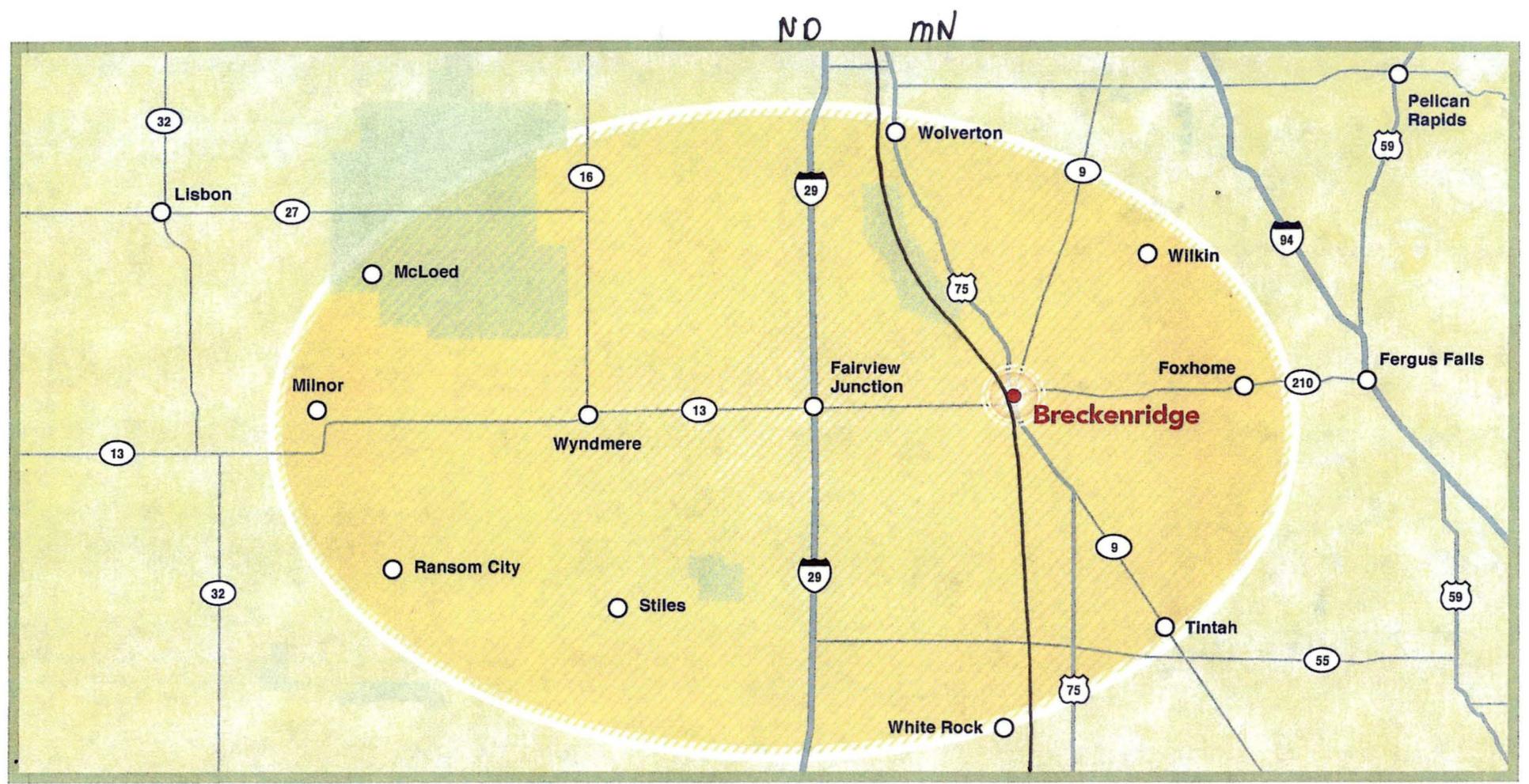
- Closed/Blocked
- Ice/Compacted Snow
- Snow Covered
- Frost
- Wet/Slush
- Seasonal/Good
- ⊘ Closed/Blocked
- ⚠ Incident (Impacting Traffic)
- ⊘ No Travel Advised
- Scattered Ice
- Scattered Snow/Drifts
- Scattered Frost
- Scattered Wet/Slush

The traveler information reports are based upon information available at the time of preparation. Actual conditions may vary. Be alert for changing conditions.

SB 2286  
David Nelson 1.26.15

# The Primary Market Area

2.2



Based on actual operational experience of St. Francis Healthcare Campus