

FISCAL NOTE
Requested by Legislative Council
02/20/2015

Amendment to: SB 2378

- 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).*

Engrossed SB 2378 creates an income tax credit for contributions to qualified community of life projects.

- 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.*

Section 1 of engrossed SB 2378 creates a new income tax credit equal to 40% of contributions made to a qualified nonprofit for the purpose of funding community of life projects such as for recreational, arts, science, and quality of life amenity projects. The amount of the contribution must be added back to North Dakota taxable income to the extent it reduces federal taxable income. There is a \$20,000 per taxpayer cap on the total amount of tax credits allowed per tax year.

If enacted, engrossed SB 2378 has the potential to reduce state general fund revenues for the 2015-17 biennium, but the amount of the reduction cannot be determined.

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: 02/23/2015

FISCAL NOTE
Requested by Legislative Council
01/26/2015

Bill/Resolution No.: SB 2378

- 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 2378 creates a local community incentive fund program and authorizes an income tax credit for contributions to the fund.

- 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.*

Section 2 of SB 2378 creates a new income tax credit for 100% of a contribution made to a local community incentive fund set up and administered by the Bank of North Dakota. The purpose of the fund is to provide grants to local, state, and tribal government units and nonprofit organizations to be used for recreational, arts, science, and quality of life amenity projects. The amount of the contribution must be added back to North Dakota taxable income to the extent it reduces federal taxable income. An unused credit may be carried forward up to 10 years. There is a \$20 million cap on the total credits allowed per biennium.

If enacted, SB 2378 has the potential to reduce state general fund revenues for the 2015-17 biennium, but the amount of the reduction cannot be determined. Due to the cap on total credits provided in the bill, any reduction in state general fund revenues is limited to \$20 million for 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: 02/01/2015

2015 SENATE FINANCE AND TAXATION

SB 2378

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2378
2/3/2015
Job #23073

- Subcommittee
 Conference Committee

Committee Clerk Signature



Relating to local community incentive fund grants and tax credits; relating to confidentiality of tax information; and to provide an effective date.

Minutes:

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

Chairman Cook opened the hearing on SB2378.

Sen Jessica Unruh, District 33, presents the bill. (Attachment #1)

I am here to testify on SB2378 which is a bill that will provide a local community incentive fund to assist communities with recreational, art, science and quality of life amenities projects.

Kelvin Hullet, President, Bismarck-Mandan Chamber (Attachment #2)

I am here in support of SB2378.

Chairman Cook -- I heard Senator Unruh mention arts and science. You mentioned in your testimony and yet everything seems to be focused around parks and recreation.

Kelvin Hullet -- Let me elaborate on that, and as we look at our communities, and Bismarck-Mandan in particular, on what I'd call the cultural arts side and those sorts of things, there is a renovation project underway in Bismarck for the Belle Mehus. It is a half million dollar renovation at that facility so it is more user-friendly and can be utilized better in the community. As we look at this program, yes, it is much broader than just recreational facilities. It's looking at other quality of life amenities within the communities.

Chairman Cook -- Parks and rec., is generally run by an elected board. They would make the application. Who owns the Belle Mehus?

Kelvin Hullet -- The city.

Chairman Cook -- Do you see all the applications coming from a political subdivision?

Kelvin Hullet -- No, I see the applications coming from a variety of places. When we thought about this fund and what it could do, we very much followed along the lines of the housing incentive fund and I'll just pick out a for instance and use Senator Unruh's facility in her community. As they are developing that facility, one piece of the funding strategy could be looking at the community incentive fund and then going to different individuals and companies within that community that have a tax liability and asking them to dedicate their liability into the community incentive fund to that project. I think there is two sort of avenues that happen: you have those specific projects that a community brings forward and they talk to their community and have funds directed into it and then you have that broader community, like U.S. Bank, bid \$5 million in to the housing incentive fund. In the last biennium they dedicated some of that into community projects but then they put part of it just into the HIF fund for utilization across the state. That's what the vision would be in the community. I think the applicants could be, as we stated in the bill, cities, counties, and then also non-profit organizations that are working within the community to develop these projects.

Chairman Cook -- You make a comment here that to insure there is community buy-in, a grant may not be the primary funding source. Is that in the bill or do you anticipate that to be in the rules?

Kelvin Hullet -- I believe that is in the bill. It says it can only be 50% of all of the funds going to the facility, except for playgrounds. And playgrounds can be funded at 100%.

Senator Oehlke -- Kelvin, why do you think a program like this will alleviate donor fatigue? You mentioned that the majority of the funding has to come from elsewhere. Where do you think that elsewhere is going to be?

Kelvin Hullet -- As we look at this program, and we model it after the HIF fund, this is, as opposed to a contribution to a project, a dedication of a tax liability into a fund to assist that in occurring. It's two separate pots, if you will.

Senator Oehlke -- And, would you be able to make specific donations?

Kelvin Hullet -- Yes.

Senator Oehlke -- So it's kind of like the United Way, except you want the state to do it instead of local communities?

Kelvin Hullet -- I would view this completely different than United Way. I understand the model comparison but it would be more similar to HIF fund. In the administrative rules to the HIF fund that is how it works. For instance we have a project that is being developed in Bismarck-Mandan and their intent is, in the next biennium, if HIF is reauthorized that they will be applying for HIF funds and they have spoken to companies about directing that credit directly to their project. This could be developed in the same way.

Senator Oehlke -- Someone mentioned that no one has decided who is going to administer this. Do we have any rules yet?

Kelvin Hullet -- No.

Senator Oehlke -- Before I vote on something like this, I'd like to see the rules. They have a nasty habit of not always following legislative intent.

Kelvin Hullet -- Before this bill would move, we would have amendments to it to clarify the administrative piece of it. We could propose to you what the rules would look like but those are set administratively.

Chairman Cook -- They don't have to be. I'm looking for the 50% -- I don't see any reference.

Kelvin Hullet -- I will look at that. When we drafted it, it should have had 50% in.

Senator Unruh -- It doesn't say 50% in here but on lines 21 & 22 it does say that a grant awarded under this section may not be the primary funding source for community projects. That would indicate 50.

Chairman Cook -- That might be a vague indication of 50. Kelvin, when you talk about it just like the HIF fund, am I to assume that also is 100% credit?

Kelvin Hullet -- Yes.

Chairman Cook -- So if it comes to an ice rink, basically today a community wants to build an ice rink, park district would go to the voters, voters would buy into it, and the ice rink would get paid for by the property owners through property tax. This shifts it to the state paying for it.

Kelvin Hullet -- I believe that you have encompassed at least a part of what we have looked at with this bill.

Chairman Cook -- When I first moved to Mandan, I was shocked at the lack of baseball facilities for young kids. I got involved with the Kiwanis Club and through them we raised over \$50,000 to build baseball diamonds dedicated for kids. If we were to raise that kind of money today, you would make a contribution to the fund to utilize 100% deduction. A lot of the other private money that we've been raising in the past will also become subject to 100% tax deduction.

Senator Triplett -- From your perspective, where would the line be where we would stop doing this sort of thing? The housing incentive fund, we had an undeniable emergency in western North Dakota, in that we were being overwhelmed by a legitimate business looking to do business, which is the oil & gas business, and our communities were simply under water, unable to provide housing or the basic infrastructure. This seems like it is one step away from this. It's not a compelling emergency. It's a quality of life. A desire, but not a need. If we go down this route, why would we not let every taxpayer indicate where they wanted their state income tax to go? It's not the philosophy of taxes, generally, that individual people get to tell the governing body exactly where their tax dollars go. I'm inclined to think that critical need is a good place to draw the line, not community desire

Kelvin Hullet -- That is a very good policy question that you have brought forward. I agree with you completely. As we look at this programs, we have to be very careful in how we move forward. From our community prospective is that while the amenities are not the emergency that affordable housing is & was at this point, we have 4000 jobs open. Fargo has an equal number or more open. As we look across the state and we are attempting to attract and retain talent, these are the kinds of facilities and amenities that they are looking for. Our board of directors sat down with Basin Electric and talked with 5 of their new employees about their move to the community. They have all been here less than a year. We asked how were they integrating, what kinds of things were they finding challenging, what did they really like? This issue came up, repeatedly, and at length; I really like it here but the ice hockey is full and I can't get my son in to play; I really like it here but the baseball is full. I can't get my son or daughter in to play. So as we look at the challenges of attracting and retaining that next group of talent that we really need in our state, we've come to the conclusion that while not an emergency, like affordable housing, this is a pressing need that we have try to address.

Jon Godfread, Greater North Dakota Chamber

I left my personal testimony in my office. I am handing out a letter from the Fargo-Moorhead Chamber of Commerce offering support to SB2328. (**Attachment #3**) We are also in support of the bill. I have spoken with the Williston Chamber of Commerce and the Minot Chamber of Commerce. You heard from the Bismarck Chamber of Commerce and we also have the Grand Forks Chamber of Commerce in the room offering support. Mr. Hullet outlined our position very well and in great detail. I do serve on the Outdoor Heritage Fund board. We have seen a lot of these projects come to the Outdoor Heritage board which was designed to be for conservation, habitat and recreation. We are having a policy discussion on the other chamber on the house side about playground equipment, recreational activity, if it's the right place for those projects to be funded through the Outdoor Heritage Fund. If I were to read the tea leaves, I think it is going to be pulled out of there and there is a need out there. This is a workforce issue for our employers across the state. We've seen massive growth in our communities to the point where the traditional levels of keeping up with the amenities, building the ice hockey rinks, doing those types of things through the local funding structures simply can't keep up with the growth we've got. I'm not going to equate these things on the same level as housing, but they are very important to attracting and retaining that workforce.

Senator Triplett - How do you think community amenities compare with a competitive salary for attracting workforce? Maybe North Dakotans all across the board just have to acknowledge that we need to pay more to attract people to come to live here.

Jon Godfread -- On the broad scale, I think our salaries are very competitive. Salaries are one check-box as people are looking to move or come to a different community. That may be weighed a little bit more previously but as Mr. Hullet pointed out, today's generation are looking for that whole work-life balance.

Senator Dotzenrod -- You've made the case that, for many communities, this is a big priority and sometimes it's difficult to find the money. I'm thinking of communities that I'm familiar with in my legislative district and the priority that they would have in their

community, and quite often it's the case of having a site on the end of town, 40 acres or more, that they have a chance to buy. There's a seller that wants to sell it and this could be their industrial park. Would you be in favor of allowing that community to use a mechanism to address that issue?

Jon Godfread -- I don't have any real objection to that. If these projects are coming forward at the community level and they have prioritized them, I'd leave it up to that local community to figure out what is the next big thing that they need to move forward.

Senator Lonnie Laffen, District 43 -- I wasn't going to testify but I thought I'd try to answer some of the questions that some of you had with some real-life examples. I have an architecture firm with 6 offices in North Dakota. We have about 100 employees. We get almost all of our talent from NDSU and they are almost all western Minnesota or North Dakota kids. We have tried to staff our offices in western North Dakota, primarily Dickinson, Williston and Minot. We cannot get people who are willing to go live out there. It's not because of housing. It's not because of salary. These are kids 5 years out of school, they are making \$50,000 working in our Fargo, Grand Forks office, and we offer them \$100,000 to move to Williston or Dickinson. They all say, how about \$125,000? We say yes every time and we cannot get them to move there because of quality of life. They simply don't want to live there because there is nothing to do. I need people out there. We'd love to staff our offices out there rather than do all that work from the east side of the state. I'm here to report that salary is not working. Housing is not the problem. It is simply that people don't want to live in those communities.

Senator Oehlke -- Senator Laffen, would a new ice rink solve the problem in Williston? I think there is more to quality of life in western North Dakota than new playgrounds and facilities. We have other huge issues. Everything from human trafficking, to drugs use, to law enforcement issues. Those are huge quality of life issues. I remember going to school with people from west river area of North Dakota and they loved where they came from and their burning desire was to get done with school so they could get back to western North Dakota. Help me understand where this is going to make that kind of difference?

Senator Laffen -- It is absolutely about amenities in the community. They are not afraid of human trafficking, not afraid of the traffic, not afraid of anything of the things what we consider issues that might hinder people from moving there. They just want a better place to live. They want a really, cool, hip downtown, number one. That might sound surprising but that's what young people want today. They want hockey. They want sports teams. They want a place to work out. They want trails, park, recreation. That's what they are looking for. The current generation, that's what they are looking for in a place to live.

Senator Oehlke -- We don't have all those things in Grand Forks and Fargo, so how do you keep them there for \$50,000 is beyond me.

Senator Bekkedahl -- The issues that Senator Oehlke hit on are more issues for the existing population base than they are the new people coming in. They see that as a degradation of their quality of life that they were used to having there. It's an interesting dynamic that's happening, I notice the young people want bigger homes, with smaller yards. We used to spend time doing things in our yards. They don't any more. They want

somebody else to maintain them. They don't want to shovel snow. But they want to have the wife and husband and 1 or 2 small children and they want to walk to a neighborhood park and sit and have fun with their kids and socialize with other people that are the same age with small families. That is just a dynamic. We used to do it through the churches, the PTA's and other things. This social integration that they have with the technology are completely different than we had. The quality of life issues that Senator Laffen raised are important. We are trying to address them. If this can help the smaller communities, I think it would be a good thing.

Dana Schaar Jahner, Executive Director, North Dakota Recreation & Park Association (Attachment 4)

Support the concept of a local community incentive fund program as outlined in SB2328.

Senator Triplett -- It looks like you are in opposition to the way the bill is being interpreted by the sponsors when you say you're supporting an open grant process. And, if I understand it right, are supporting a process by which an individual investor can direct where their tax credit dollars go to a specific project within their community. Is that a distinction that we should be aware of?

Dana Jahner -- We recognize that the intention is designation of funds. That comment is more in reference to if the money is donated just generally to the fund in terms of the grant process. We want to make sure that that is open to communities across the state. We are concerned about small communities and fewer donors and we want to make sure that there are opportunities for our smaller park districts as well.

Senator Oehlke -- Who would you see as the group administers this?

Dana Jahner -- If it was strictly for parks and recreation kinds of grants, certainly the state parks and recreation has administered those funds for a long time. Opening that up with arts, science, those kinds of things, I think it would be helpful to have some other people representing those interests be part of the administration of the funds.

Kevin Dvorak, President, North Dakota Community Foundation (Attachment #5)

We here to testify in support of SB2328. It would provide 100% tax credit for gifts by North Dakota taxpayers for building projects that would improve the quality of life for North Dakota citizens.

Chairman Cook -- One of the projects that you funded was Northwood Hockey Boosters fund. So, you've had people contribute to a fund to do something for the hockey boosters?

Kevin Dvorak -- In Northwood they were building a new hockey arena, a private group. They were seeking their 501 c 3 tax status. Until they could get that tax status, the gifts were given to the North Dakota Community Foundation for the Northwood Hockey Boosters Fund. When they received their tax status and were proceeding with their program, we granted that money then to them.

Chairman Cook -- But their proper tax status was not a tax credit?

Kevin Dvorak -- No. It was a charitable deduction as a gift to any charitable organization.

Chairman Cook -- So, as you would manage this fund, people would be getting a 100% tax credit. Is it safe to assume that most all of these projects that you funded here would move into this program?

Kevin Dvorak -- We would because they would be exactly in line as the bill is written.

Chairman Cook -- Would you see yourself as the place where the grants were issued and the caretaker of the rules, should I say?

Kevin Dvorak -- That's been our role because the 501 c 3 tax status, the community foundation is used by these communities to raise private dollars. It is the fiduciary responsibility of the community foundation, whether it be the North Dakota or the Grand Forks or Fargo, to insure that the monies are used for the public good. That the rules are followed and that it is administered as it was intended.

Chairman Cook -- I'm still trying to figure this out. Can funds be dedicated to a certain project? I didn't see it in the bill where funds could be dedicated. I looked at the bill and I assumed that people make a contribution and, if it's for parks and rec, eventually, the park district determines where the money is spent. If we put this fund over to here with you folks, I'm starting to see a picture where 100% of the funds that are given are dedicated to a project. Am I seeing it wrong?

Kevin Dvorak -- The way that it has been handled to this point with the structure that we have in place, these have been restricted funds, set up for a specific project so that the donor is assured that the money that they give goes to that particular project. Community Foundation, in addition to restricted funds, have unrestricted, or sometimes called Greatest Needs funds, where they have monies available for an open enrollment or open application process. The volunteer boards of director decide what's the best use of that money.

Senator Triplett -- In your last paragraph you reference the entity that was the impetus for this bill. Can you tell us what entity that was?

Kevin Dvorak -- I don't know exactly who was behind the gestation of the idea. I know that we met with Mr. Hullet from the Bismarck-Mandan Chamber. He was part of that process.

Kristi Mishler, Community Foundation, Grand Forks and East Grand Forks region

I am 100% in support of a tax credit to help facilitate gifts that will help improve the quality of life. I believe that those local entry points need to be local. And with those local community foundations are on the ground doing the work. The Knight Foundation conducted a study on Grand Forks and 25 other communities nationwide from 2008 to 2010 on which mattered most where people lived. What they found was social offering, aesthetics, and openness in that order. The communities that scored higher in those areas had a positive effect on gross domestic product. It proves the fact that quality of life in those areas is something that we need to work on. Talent retention and workforce are the number one problem with the state of North Dakota, if we don't have the people to work here, then

we probably don't need housing for people to live here. I work with donors, and the fatigue that you were asking about, people in North Dakota are nickel and dimed to death. They are really great at giving annual gifts and supporting gifts to the max and what we need to do with the intergenerational transfer of wealth is help to facilitate estate gifts and big gifts. Donors want high impact. They want efficiency. They want collaboration. They want to know what you are going to do with their funds. There are lots of dreams of projects going on in Grand Forks right now but until these groups get together and start planning differently, we are not going to get those big funders. Community Foundation work with those donors.

Senator Triplett -- You and everyone else who has testified have made the point very, very well about the value of community amenities, but you said something that means that maybe you don't understand exactly what this bill is doing. You were talking about facilitating intergenerational gifting and encouraging people who have assets to make them available as gifts. This bill is not about gifting. This bill is about taking people's existing tax liability to the state of North Dakota and directing it towards something that some particular person or group wants. You are asking the legislature to say we'll give up a certain amount of tax revenues and just hand them over to someone else for a different purpose other than what the state would ordinarily fund. These projects you are talking about are, by and large, things that communities would ordinarily do for themselves. We hear a lot of people from local government coming in and telling us that they want to maintain local control. That they don't want the state to take over everything. This is completely going in the opposite direction of that. You are asking the state to make the rules but then you are also asking the state to allow individual people to say where their tax dollars can go. I can support everything that everyone has said this morning about what a good thing it is for local communities to have good quality of life but I can't support this mechanism. Can you say anything that will convince me to change my mind?

Kristy Mischler -- I think we are missing opportunity, if we don't have people on the ground working in the local areas. There is both but I think the tax credit work for the local endowment. I've seen donors start funds that haven't started before but did so because of the tax credit.

Senator Triplett -- There's a partial answer. If we made it a partial tax credit instead of a 100% tax credit, there would still be a gifting element. There still would be an element of skin the game, as some like to say. But the 100% tax credit really needs to be reserved for critical emergency needs that the state has a particular interest in.

John Evanson

I am in favor of this bill and I wanted to answer one question, Senator Triplett, with the housing incentive fund, our particular company last year was given a list of approved projects throughout the state and with 11 locations for our particular business, we were able to choose what communities we wanted to participate in. Given the list of projects we were able to choose two of them and that's where our dollars went.

No further testimony.

Chairman Cook closed the hearing.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2378
2/3/2015
Job #23118

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Minutes:

Chairman Cook opened the committee work on SB2378.

We have 2 income tax relief bills introduced so far, plus the apportionment factor bill and we'll hear a third income tax relief bill tomorrow. The price of oil is going up. I don't know if that is going to change our decision. It's not going to change mine. Where I'm at, as far as what I think is the right place for us to be. You want to have a discussion of income tax relief, philosophically, what we should be doing right now, or do you want to wait until you have bills in front of us and carry it out that way? You want to wait.

Senator Laffen -- The policy we set now is in effect 2 ½ years from now. I'm not sure what the price of oil of today is going to affect my decision.

Chairman Cook -- That's where I'm at too. What we can afford, who knows. Property tax relief? Senator Dotzenrod you have a healthy one here. Do you have amendments?

Senator Dotzenrod -- I don't have the amendments yet. The amendments weren't really major on the property tax one. I have a feeling, looking at the long run of the session, that it seems to me that when leave here we are probably going to end up trying to do something that is modeled closely after what we did 2 years ago. I do have this other bill that has the homestead credit. What we did last session, we took that bill and, basically deleted everything out of it and just left a small homestead portion and it was sent over to the house. The bill, as it stands now, is more or less in its original form and we can talk about that when we can get it in front of us with some amendments on it.

Chairman Cook -- Next week we're probably going to take care of Monday or Tuesday, property tax, income tax, and homestead tax credit.

Senator Laffen -- Would it be possible to just list those on one page that is a synopsis so that when we sit down and talk about those, we have this group of bills. Here's the net

effect of every one of those. It would be nice to see the whole picture when we start talking about them.

Chairman Cook -- Cole, can you do that for us?

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2378
2/17/2015
Job #23994

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Groves

Explanation or reason for introduction of bill/resolution:

Committee work.

Minutes:

Attachment #1

Chairman Cook opened the committee work on SB2378.

Senator Unruh -- We've got amendments for SB2378. **(Attachment #1)** These amendments would be for the community incentive funds concept that we heard during the hearing process. It keeps the same objective but goes about it a little bit different way and the objective of that was to develop quality of life facilities to assist in attracting and retaining employees in North Dakota and then create a mechanism that encourages the public/private partnerships in communities to develop these types of projects so instead of 100% tax credit, these hog house amendments would reduce that to a 50% tax credit and it would be capped at \$20,000 for individuals and \$40,000 for couples filing jointly. The amendments kind of streamline the process so instead of creating a centralized funds to which communities and organizations would apply, these revisions leave it to the communities to determine the needs and then work with qualified non-profit organizations to develop and complete the project. There is also, on the second page of the amendments a four year sunset clause. We do think that there is a need in our state, at this time, and a very pressing need. I think it is important for the role of government to assist where those needs are in North Dakota and I think this definitely falls in that category, but how long those needs exist should be reassessed at a certain point. There is a four year sunset clause on it. That summarizes the amendments.

Chairman Cook -- What is meant by the statement, the last sentence under subsection 1, an individual may not qualify for a grant under this section?

Senator Unruh -- I believe that it would just be a tax credit and not necessarily anything that would be refundable to an individual. The organization would be the ones to receive any funds, not the individual. It would have to be a group that would be coming up with a project, not an individual.

Senator Oehlke -- It couldn't be Senator Cook's Backyard Playground.

Senator Dotzenrod -- The sentence that you were asking about, the sentence right before that said, the credit allowed under this section may not exceed that taxpayer's income tax liability. That question seems odd to me because they get to ask for a credit of 50% of their tax liability, right? So you can make a contribution if you have a tax liability of \$2,000, you could make a \$4,000 contribution and then reduce your tax liability to zero?

Chairman Cook -- Correct.

Senator Dotzenrod -- But you wouldn't be able to exceed more than the \$2,000?

Chairman Cook -- There's no carry-forward. John, can I ask you a question? The credit allowed under this chapter may not exceed the taxpayer's income tax liability. Couldn't we just call it a non-refundable tax credit?

John Walstad, Legislative Council -- Yes, that works too. And, it appears both ways in the code. Usually it says can't exceed the liability.

Chairman Cook -- I don't see non-refundable in here.

John Walstad -- You don't have to say non-refundable, if you say, can't exceed liability.

Chairman Cook -- And it's done both ways in the code.

John Walstad -- I never used to allow non-refundable, but people understand that now so we've got some. I still prefer this, because there is no non-refundable definition.

Senator Oehlke -- That last sentence, under 1, where it does say an individual may not qualify for a grant under this section, should that actually be number 2 and then renumber? It doesn't really go with the rest of that paragraph.

John Walstad -- No, you are right. We got a sheet of a drafted version of what this should look like and we changed it quite a lot but I think it means exactly what you think it means.

Senator Oehlke -- I agree with that. I just thought that it doesn't generally fit with that first paragraph.

John Walstad -- It doesn't really fit with any of the others either. Maybe it could be a separate subsection.

Senator Triplett -- It think it fits well. It's just in the wrong place in subsection 1. In the middle there, eligible recipients of the tax credit under this section include units of local government, state government, tribal government and nonprofit organizations serving communities in the state. If you put the individual right behind it, then they kind of go together. It flows better there.

John Walstad -- Yeah, that would be a better fit. Now there is a provision in here, these contributions are always going to be to a qualified nonprofit 501c3 which means that you get a federal income tax deduction from making that contribution and to claim this credit you

have to add back the amount that you subtracted from your federal income so that your starting point, so you don't get 2 benefits from the same contribution.

Senator Oehlke -- I would imagine the fiscal note stays the same. Is there a cap?

Chairman Cook -- We could put a cap on it.

Senator Oehlke -- In the fiscal note it mentions a cap on the original bill of \$20 million allowed per biennium.

Chairman Cook -- Funny it didn't have a \$20 million fiscal note.

Senator Oehlke -- I do know organizations will certainly utilize this. Your colleges used up significant amount of tax credits in the last couple of years. They went after it pretty hard in that endowment program.

Senator Bekkedahl -- So the original bill had a \$20 million cap in it. This hog house does not. Can I ask the sponsor why that wasn't placed in there?

Chairman Cook -- Why no cap, Senator Unruh?

Senator Unruh -- We thought with the reduction of the amount that would qualify for the income tax credit that maybe the committee would feel comfortable without there being a cap. If the committee feels differently, I'd be happy to entertain that conversation. That was also a specific fund and this would be managed a little bit differently.

Senator Dotzenrod -- John, on that paragraph 3 you were talking about, as an example, let's say that I estimated or was pretty clear that I was going to have a state tax liability of a couple of thousand dollars, to maximize to get the 50% credit, I'd want to contribute \$4,000 and then I could get a 50% tax credit which would make my tax liability zero. In order to use number 3 then, if I did that, I would have to add, when I was getting ready to prepare my North Dakota return, I would have to take the \$4,000 which I was able to deduct off my federal return and add that back on as a way of getting the numbers on to the North Dakota return and then when I got those numbers back on the North Dakota return I would be eligible for and could take the 50% tax credit so I would get the deduction on the federal and I would get the credit for the state, correct?

John Walstad -- Right. But you wouldn't get 2 benefits on your state return.

Chairman Cook -- So, Senator Unruh, if I look at this right, if a city park district wanted to build a new hockey rink, that park district would then somehow have to have a nonprofit that was supporting the project and raising money for the project.

Senator Unruh -- So subsection 1, eligible recipients would be local government, state government.

Chairman Cook -- They are the recipients of the tax credit but the contribution has to be made to a qualified nonprofit organization?

Senator Unruh -- Yes, you are right.

Chairman Cook -- So, any little project that wanted to get built would have to have a nonprofit.

Senator Laffen -- I'm not sure that this will get used a lot for little projects but I can tell you that in my community we just built our rec center and our park district has a foundation for this purpose and they built the whole thing without taxpayer money; which is really a new novel thing for building public facilities. I think that is the idea: can we start encouraging private investment into some of our public facilities instead of all state money.

Chairman Cook -- We get private investment today. The Mandan Kiwanis Club that I belong to, I'm sure is a 501c3.

Senator Oehlke -- Probably not. Organizations like that are not 501c3. They file a tax return. They may not have to pay a tax because everything they bring in they give out. We've got something called a Devils Lake Area Foundation that was really put together by a dead banker. He contributed a bunch of money and that's where the fund first started. Now it is pretty significant. I could contribute to that because it is a foundation. It has that 501c3 status. Your Rotary Clubs, your Kiwanis Clubs and that, they are not.

Senator Bekkedahl -- Senator Laffen, I agree with you that this is probably intended for the large projects, but what I've seen in my area when there are smaller projects and the entity that wants to do it, for example there was a project in a park that would be an all-inclusive facility for kids with handicap situations, they did not have a 501c3 status, what they did was they went to an entity in town that did have a 501c3 that acted as the blanket. I don't know if this legislation would preclude that, but it would be nice if it allowed that still to happen because I know, having gotten 501c3's for organization it is extremely difficult to get any more.

Senator Oehlke -- The original bill just wanted to do exactly this, except they wanted to have just 1 giant foundation in the state that apparently was going to be generous with everybody. I certainly like this idea better.

Chairman Cook -- John or Dee, who can answer a question regarding existing tax credits. What is the typical amount of the credit, percentage wise? I know the housing incentive fund is 100%. That's the only one that is 100%, isn't it?

Dee Wald -- That's correct. That's the only one 100%. You have the seed, investment tax credits, which run anywhere from 35% to 50% and lower. The wind energy 15%.

Chairman Cook -- 5% for 3 years. I thought a lot of them were like 40%.

Dee Wald -- There's a lot of them that are 40 to 45%. Most of the investment, angel fund, is high. I think that is 40%. Most of those investment tax credits are larger credits.

Chairman Cook -- So why did you pick 50%?

Senator Unruh -- I like the number 50, but I also like the number 40 and I would be okay with the number 40.

Senator Dotzenrod -- There's a line there, eligible recipients of the tax credit under this section include units of local government, state government. I'm trying to imagine state government being a recipient of the tax credit. Can you explain to me how that might work?

Senator Oehlke -- I think under item 4 it talks about the kind of projects that they would be able to use that money for.

Dee Wald -- As was discussed earlier, there are a lot of 501c3's and other state, local, political subdivisions that would be eligible recipients of any kind of contribution but not the tax credit. If you changed on that sentence, eligible recipients of the contribution, that would change. I think that is what meant. My first read of the amendment, the use of the term, present value in subsection 1, lines 2 & 3, raise questions for me as to what that meant when you are talking about cash. I had a sidebar with Senator Unruh and asking whether or not there was an intent to include land. And with the ag investment tax credit, they can contribute land and so the present value of that land, using the word present value has some meaning but not when you are talking about a cash contribution. So that would be up to if you wanted to allow contributions of land to qualify for the credit. And I do have the definition.

Senator Unruh -- No, Mr. Chairman, I don't believe so.

Chairman Cook -- So if someone wants to donate land to build baseball diamonds. What is the definition?

Dee Wald -- It's in chapter 57-38.6 which is an ag investment tax credit and this definition would say, qualified contribution means a contribution in cash or contribution of a fee simple interest in real property located in this state. It goes on then to say that that definition does not include personal property that may become a fixture to the real property,

Chairman Cook -- How do you figure the amount of the credit if somebody donates 10 acres of land in Mandan to build baseball diamonds?

Dee Wald -- They report that to us. Most individuals know what the fair market value of their land is at the time of the donation so that they are able to know what their deduction would be at the federal level and what the credit would be.

Senator Oehlke -- Would in-kind contributions, would stock, be considered cash? If somebody had 100 share of coca cola and they wanted to donate?

Dee Wald -- No.

Senator Laffen -- I think a good case could be made for the 40% argument, in that we have a lot of them at 40% and if we do 50% the rest are going to come in and wanted 50. And/or they are not going to like this one because it is going to encourage this one and not theirs.

Chairman Cook -- I wish I had a list of every tax credit we had and what the allowable credit was. Is that in the red book? Okay, then I'll find it there. We will take this up tomorrow. Maybe we just have you change it from 50 to 40 or 25 or 30? You'll find a good number? You are going to change tax credit to contribution? You are going to move that last sentence up a few lines? Are you going to do anything else to it?

Senator Unruh -- I'm going to determine whether or not land is included.

Chairman Cook -- Do you want to talk about that?

Senator Unruh -- Sure.

Chairman Cook -- Present value or do you want to have cash?

Senator Unruh -- I am open to discussion from the committee on that. You made a pretty good case with the baseball diamond and I think that makes a little bit of sense if somebody wanted to do that, that they should qualify for this. I would be comfortable not including it, as well. So feedback from the committee would be great.

Chairman Cook -- Keep it simple. Cash.

Senator Unruh -- Cash does keep it simple.

Senator Oehlke -- Did we want to put a dollar amount limit, top limit, or just leave it open?

Chairman Cook -- If you put a dollar limit on it, you are going to motivate people.

Senator Oehlke -- If you put a dollar limit on it, there will be a big push. If you don't then people will feel a little bit more relaxed about it and they know that they aren't pressured. If you put a dollar limit on it the ones that are best organized, which are the biggest foundations in the state, are going to be the ones that are going to benefit the most because they will be able to bury everybody else, and the \$20 million will be gone.

Chairman Cook -- Do we have any tax credits available today for contributions to nonprofits for any certain purposes?

Dee Wald -- All the endowments.

Chairman Cook -- And what is the percent of that credit? 40%? Okay. That's the only one: endowments?

Senator Dotzenrod -- I'm still kind of a little bit murky here, the sentence where we changed tax credits to contributions, meter 27:00-27:50).

Chairman Cook -- You are the individual. You make the contribution to a nonprofit \$2,000. That nonprofit takes your \$2,000 contribution and gives it to the political subdivision. They take your contribution.

Can you give me an example of a nonprofit organization serving the community that would be able to receive that? Mandan Kiwanis, which is not a 501c3? Chamber foundation?

Senator Oehlke -- They might be because they have charitable gambling and I think you have to be a 501c3 status to have charitable gambling.

Senator Unruh -- The Dodge Saddle Club might be an example.

Chairman Cook -- That won me over.

Chairman Cook -- You work on amendments. We'll come back tomorrow at 9a.m.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2378
2/18/2015
Job #24056

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work.

Minutes:

Attachment #1

Chairman Cook opened the committee work on SB2378.
We have 2378 before us. Senator Unruh, your amendment.

Senator Unruh -- Amendments to 2378, round two, (**Attachment #1**) reduce the percentage for the tax credit from 50 to 40. They move the line that, an individual may not qualify for a grant under this section, to the proper area in subsection 1, and it also makes clear that we are simply referring to cash and not the donation of land. Those were the 3 changes made in these amendments.

Senator Triplett -- Where is that last change found?

Senator Unruh -- That removed some language in subsection 1. The words, present value of the aggregate, were removed which eliminates that concern. And, for purposes of discussion, Mr. Chairman, I would be happy to move the amendments, if appropriate.

Seconded by Senator Bekkedahl.

Senator Dotzenrod -- The impact of this would be, if we adopt the amendments, that the state is willing to take some of its revenues and give some of that up so that it can be used for a qualified community life project. I guess that is the impact of what we are doing here and we have in the past made similar statements about endowment funds and angel funds and housing credits. I guess this would be a comparable statement if we said these were projects that fall into that category. I want to make sure that is the spirit of what we are doing here. We are all on the same page?

Chairman Cook -- That's the way I read it.

Senator Laffen -- The reason I like this idea is that all of these projects are paid for with tax money, one way or the other right now. Almost 100% tax money. Almost always on our

property tax. This would be a shift to have a little bit of it come off our property tax and get paid for by the state and to have our citizens put their own cash in and say which projects are important to them.

Senator Dotzenrod -- I'm thinking like the hockey arena in Fargo. That primarily was done by a corporate entity but I'm assuming they, in the process, got some federal or state tax deduction for doing that. You either have a wealthy benefactor like Ralph Engelstad or you have a Scheels, a corporate entity that wants to sponsor it. And property taxes. This would be another way of accomplishing that and we would be using state resources at the election of the taxpayer

Senator Triplett -- I think you are understanding it the same way that I am understanding it. I think I can support the bill, and the project that Senator Laffen talked about yesterday in Grand Forks, which was fully funded by private donations, the wellness center, has so many corporate names on it that you almost don't even know what to call it. If we have something like this that is partially state funded through this tax credit but also substantially funded by corporate interests I would just hate to think that in the end they will all still end up selling those naming rights so across the state we will have these little target centers everywhere with a corporate name on them and people just lose track of the fact that a substantial portion of it is coming from the state of North Dakota. Wealthy people wouldn't do these things if they didn't have some pretty serious advertising value to them to be able to put their names on them. I don't know how you write a concern about that into the law but I just hope that as communities take advantage of this they remember that it is happening because these folks are getting a substantial tax deduction.

Senator Laffen -- I don't think this would be setting new precedent in that idea because I think the university endowment one that goes to building projects are very similar, but still the same issue,

Senator Bekkedahl -- Just to respond to that. I'm not advocating this but one of the things that we did in our regional development, with our city sales tax, we give back to the local communities and their projects surrounding us because we believe as they are healthy we are healthy. They do pay part of the tax. We do require them, when we give to a project in their area, that they list the Williston Star Fund as a benefactor to the project on their benefactor board. I don't know if you want to have every project list the state of North Dakota as well, but that would be my only response to how we looked at that challenge.

Senator Dotzenrod -- I think that we've been looking at this in terms in facilities, conceivably you could have a small town that has a park and they want to do some changing of the park, or they want to get into compliance with some of the new safety rules that are applying in some of the lawsuit protections. I think that it does have wide application across the state.

Chairman Cook -- Should the bill have a cap?

Senator Bekkedahl -- I did ask the sponsor about that issue earlier today and, minus the cap, was there an expiration date so it could be studied as to its utilization and if a cap

would ever be necessary. I was informed that there is a four year expiration on here. That tended to quell my concern in that area.

Senator Oehlke -- I'm reluctant to put a cap on it for the reason that I think that the well organized groups would get out there and suck up every dollar that's there before someone who is not as organized is able to touch it. I don't really have a problem with naming. There's a lot of people who think that immortality is a name on a wall. It's interesting in the military now, and Camp Grafton is a good example, they don't name buildings any more.

Senator Triplett -- One more moment of lightness: in Grand Forks we have 2 of our sewer lift stations named after people. One of them is the humorist Dave Berry and the other one is our beloved Marilyn Hagerty.

Senator Laffen -- Our lift stations are reserved to be only named after the media.

We have a motion on the amendments. All in favor signify by saying aye. Motion carried.

We have before us SB2378,

Senator Unruh -- I would move SB2378, as amended, do pass.

Seconded by Senator Triplett.

Roll call vote: 7-0. Motion passed.

Carrier: Senator Unruh

February 17, 2015

lot 2
1/18/15
TD

PROPOSED AMENDMENTS TO SENATE BILL NO. 2378

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for contributions to qualified community of life projects; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for contributions to qualified community of life projects.

1. A taxpayer is entitled to a credit against the tax imposed under section 57-38-30 or 57-38-30.3 in an amount equal to forty percent of the amount contributed by the taxpayer during the taxable year to a qualified nonprofit organization for qualified community of life projects. Eligible recipients of the contributions under this section include units of local government, state government, tribal government, and nonprofit organizations serving communities in this state. An individual may not qualify for a grant under this section. The maximum credit that may be claimed under this section in a taxable year is twenty thousand dollars for an individual or forty thousand dollars for married individuals filing a joint return. The credit allowed under this section may not exceed that taxpayer's income tax liability.
2. A passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
3. The amount of the contribution upon which an allowable credit is computed must be added to federal taxable income in computing North Dakota taxable income in any taxable year in which the contribution reduces federal taxable income, but only to the extent that the contribution reduced federal taxable income.
4. For purposes of this section:
 - a. "Qualified community of life projects" include the construction, refurbishing, reconstruction, rehabilitation, acquisition, or improvement of recreational, arts, science, and quality of life amenity projects.
 - b. "Qualified nonprofit organization" means a North Dakota incorporated or established tax-exempt organization under 26 U.S.C. 501(c)(3) to which contributions qualify for federal charitable income tax

2012

deductions with an established business presence or situs in North Dakota.

SECTION 2. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Qualified community of life project income tax credit under section 1 of this Act.

SECTION 3. EFFECTIVE DATE - EXPIRATION DATE. This Act is effective for the first four taxable years beginning after December 31, 2014, and is thereafter ineffective."

Renumber accordingly

Date: 2-18-15

Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2378

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. Unruh Seconded By Sen. Bekkedahl

voice vote unanimous

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					

Motion passed

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2-18-15

Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2378

Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0998.03002 Title .04000

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. Unruh Seconded By Sen. Triplett

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 _____

Floor Assignment Sen. Unruh

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

REPORT OF STANDING COMMITTEE

SB 2378: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2378 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for contributions to qualified community of life projects; to provide an effective date; and to provide an expiration date.

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2. A passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
3. The amount of the contribution upon which an allowable credit is computed must be added to federal taxable income in computing North Dakota taxable income in any taxable year in which the contribution reduces federal taxable income, but only to the extent that the contribution reduced federal taxable income.
4. For purposes of this section:
 - a. "Qualified community of life projects" include the construction, refurbishing, reconstruction, rehabilitation, acquisition, or improvement of recreational, arts, science, and quality of life amenity projects.
 - b. "Qualified nonprofit organization" means a North Dakota incorporated or established tax-exempt organization under 26 U.S.C. 501(c)(3) to which contributions qualify for federal charitable income tax deductions with an established business presence or situs in North Dakota.

SECTION 2. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Qualified community of life project income tax credit under section 1
of this Act.

SECTION 3. EFFECTIVE DATE - EXPIRATION DATE. This Act is effective for the first four taxable years beginning after December 31, 2014, and is thereafter ineffective."

Renumber accordingly

2015 HOUSE FINANCE AND TAXATION

SB 2378

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2378
3/10/2015
24582

- Subcommittee
 Conference Committee

Committee Clerk Signature *Mary Bruecker*

Explanation or reason for introduction of bill/resolution:

A bill relating to an income tax credit for contributions to qualified community of life projects.

Minutes:

Attachment #1, 2, 3, 4, 5

Chairman Headland: Opened hearing.

Senator Unruh: Introduced bill. Distributed testimony. See attachment #1. (Ended testimony at 4:10)

Chairman Headland: Is there any particular reason why you chose a 40% credit?

Senator Unruh: This bill started out with a different approach that would more closely reflect the way the housing incentive fund is set up. We debated that quite heavily in our committee on the senate side and figured it probably wasn't the best approach for projects like these and a tax credit was most appropriate. Forty percent was chosen because that remains in line with a lot of other tax credits out there.

Representative Froseth: I don't believe Williston, Watford City, or Minot are nonprofit 503c.

Senator Unruh: No, I don't believe they are; they are local governments that implemented those projects. This would allow for a nonprofit group to work in coordination with the local governments to get these projects up and off the ground.

Chairman Headland: We'll take testimony in support.

Kelvin Hullet, President of Bismarck-Mandan Chamber: Distributed testimony in support and proposed amendments. See attachment #2 and 3. Also distributed testimony from Craig Whitney of Fargo-Moorhead-West Fargo Chamber of Commerce. See attachment #4.

Chairman Headland: Traditionally it's been the local community's responsibility for their own well-being and now you're bringing the burden to the state.

Kelvin Hullet: We debated this extensively. This proposal is a shift to have the state assist in a small part of that burden. We realized this need is immediate and that's why we looked at a four year bill. Hopefully at that time period we've had the ability to address the issues within our communities. Workforce attraction and retention is an issue of the state. We have 21,000 open jobs. In our community we have 6,000 open jobs. The number one issue when we release our economic forecast in a couple weeks is talent, attraction, and retention. As they attract talent to the community this is one of the key challenges for us to do.

Representative Steiner: What's the new demographic coming to your office?

Kelvin Hullet: Studies show us that the generation coming up is quite different; the new generation works to live rather than living to work. They put a high priority on their recreational opportunities and their quality of life facilities. They move to the places where they have these opportunities rather than moving to find a job.

Chairman Headland: From my perspective it almost appears that they have a sense of entitlement and they are entitled to the government providing them with their indoor ice arena and things. I have fundamental problems with that myself.

Representative Strinden: One of my issues with North Dakota is that there isn't infrastructure money for things other than roads. There is a real problem in the country and in the nonprofit sector with donor fatigue. Can you expand upon that?

Kelvin Hullet: We added the capital improvement projects in our community coming forward and it totaled well over \$100 million. As you look around the state the requests for capital improvement projects and for facilities is more daunting than it has ever been. We've looked at how we can utilize tools to make sure the private sector remains engaged. It is overwhelming to the private sector how many campaigns are coming through the door every day.

Jon Godfread, Greater North Dakota Chamber: The Outdoor Heritage Fund limited the access to playgrounds and some of those other things so this is an option to get those funded. There are a lot of applications that came through for those types of recreational activities and types of recreational equipment. Under a normal growth curve we probably wouldn't be in here asking for something like this but with the expansion of our population and the booming we have local communities are hardly able to keep up with the amenities they need to attract these folks. They are coming to the private sector looking to fund some of these things and I think there is a sense of donor fatigue out there. This is another option to look at to build our communities to make it an attractive place to work and live.

Chairman Headland: Do you think there's a danger of creating a couple different classes of living where wealthy people are going to be able to take advantage of it then they are going to be rewarded in their communities with all of these fancier buildings and places that the smaller communities can't afford and won't have those opportunities.

Jon Godfread: I think we probably have some of that going on. This will be open to all communities but it will also be a chance for another incentive to get those private companies to come back to the table to then donate to what a community decides is their priority project.

Dana Schaar Jahner, North Dakota Recreation and Park Association: Distributed testimony in support. See attachment #5.

Chairman Headland: Do you have any comments on some of the concerns I raised?

Dana Schaar Jahner: We certainly recognize that different communities are able to support different kinds of facilities. If communities can come together around a facility and help raise funds together that would be an incentive to do that.

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

Representative Froseth: How does it work when donations are made to a 501c3 then they give it to a for profit organization?

Matt Peyerl, Office of State Tax Commissioner: I may not be the best person to speak on behalf of nonprofit funds. They all have missions they have to adhere to and their use of funds will probably guide where their dollars go. Under this bill the dollars would go to a nonprofit then the nonprofit sends them to a city or a political subdivision for ultimate spending or collaboration on the project.

Kevin Dvorak, President of North Dakota Community Foundation: I would just like to clarify Representative Froseth's question. A 501c3 organization is required to give that money to another 501c3 or a government entity so there would be no ability for a 501c3 to receive a gift that would qualify for this credit to give this to a for profit entity.

Chairman Headland: Is there anyone else who would like to testify? If not, we will close the hearing on SB 2378.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2378
3/16/2015
24875

- Subcommittee
 Conference Committee

Committee Clerk Signature *May Brucher*

Explanation or reason for introduction of bill/resolution:

A bill relating to a n income tax credit for contributions to qualified community of life projects.

Minutes:

No attachments.

Representative Dockter: In light of our fiscal situation I don't like the state getting involved in these types of projects. **Made a motion for a do not pass.**

Representative Klein: Seconded.

Chairman Headland: I think this is a bill that really aides the wealthier areas of the state. It's a new program and it's an expansion of a tax credit that was meant for purposes of endowments and now we're going to start building buildings. I don't think it's the right thing to do so I'm going to support the do not pass.

Roll call vote: 10 yes 4 no 0 absent

Motion carries for a do not pass.

Representative Dockter will carry this bill.

Date: 3-16-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2378

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. Dockter Seconded By Rep. Klein

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) 10 No 4

Absent 0

Floor Assignment Rep. Dockter

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

REPORT OF STANDING COMMITTEE

SB 2378, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman)
recommends **DO NOT PASS** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed SB 2378 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

SB 2378

#1
2.3.15

Senator Jessica Unruh
Testimony for SB 2378

Mr. Chairman, members of the committee, before you today is SB 2378, a bill that would provide a Local Community Incentive Fund to assist communities with recreational, arts, science and quality of life amenity projects.

The concept for this bill was brought forward by constituents in my district and across the state of North Dakota. Many communities across North Dakota are experiencing population growth and an increased demand on quality of life facilities such as ice rinks, gyms, swimming pools, playground equipment and playing fields. In many instances, there are not enough facilities to accommodate the demand. Not being able to provide these services makes it more difficult for our communities to attract and retain residents and employees.

SB2378 proposes to create a local community incentive fund with revenues provided from a tax credit program. As you review the content of the bill, you may note it is very similar to the Housing Incentive Fund language. As drafted, the fund would be administered by the Bank of North Dakota in cooperation with the state department of parks and recreation to create a grant application process and distribution process.

Those eligible to apply for the grants include local, state, and tribal governments and non-profit organizations serving communities in North Dakota. Functioning similar to the Housing Incentive Fund, contributors to the fund could designate communities and projects to receive funding. The hope is that larger corporations in North Dakota will generally put into the fund for projects across the state, helping smaller communities with a smaller business presence.

As you look around the state, you will notice that many communities are already working on these types of issues. Williston built a \$70 million recreation center; last week, Minot announced plans to move forward on an \$88 million facility. In Bismarck-Mandan and Fargo, there is considerable discussion about additional facilities including ice, gymnastics, baseball, football and soccer fields.

In my hometown of Beulah, we recently passed a 1% sales tax for a new wellness center which will raise about \$5 million. There is still a need for additional funding, which the park district is currently doing through fundraising activities. This single example in my district shows that these types of facilities are expensive and require diverse funding sources. Many communities such as Beulah cannot do the project with sales tax funding alone. SB 2378 creates another avenue for communities to secure funding for their projects currently in very high demand.

Mr. Chairman and members of the committee, thank you for your consideration.



Testimony
Kelvin Hullet, President
Bismarck-Mandan Chamber
SB 2378

Mr. Chairman and members of the Committee, I am Kelvin Hullet, President of the Bismarck-Mandan Chamber. I am here today in support of Senate Bill 2378. North Dakota is in a period of dynamic change. For the first time in a century, our state is gaining population and the economic outlook for our remains positive. However, we are finding a key challenge in our state is workforce attraction and retention. SB 2378 is a tool to assist communities with their quality of life infrastructure.

Unfortunately, in North Dakota, we traditionally did not give much thought to our quality of life infrastructure. As one of my board members says of recreational facilities, "good enough is good enough". However, with our unemployment rate hovering at the lowest in the nation and a trend towards a younger population, our challenge is to meet the changing demographics of our state. Quality of life facilities are a key part of that challenge.

Studies show that today's young professionals view the role of work and recreation in their life different than past generations. While many of us chose our community based on employment, the "Y" generation is just the opposite. Today's young people are willing to trade high pay for fewer hours, flexible schedules and a work / life balance. In short, they prioritize family over work and if a community does not offer a balance, it becomes difficult to recruit them. I direct you to the recent Forbes article attached to my testimony.

As the business community strives to recruit and retain young professionals, we are finding the quality of life amenities in our communities need attention. There is not enough playground equipment; gyms; sheets of ice; swimming pools or baseball fields to meet the growing demand in our changing demographic. Some communities are already striving to address these needs.

Everyone is aware of the new recreation center in Williston. Last week, Minot voted to move forward with a sales tax proposal to fund a new facility and in our community, Mandan is considering a half-cent sales tax proposal to fund a hockey facility. While these sales tax proposals will work in some communities, in smaller communities, it is not an option and their property tax value does not generate enough funding to be meaningful.

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The business community is doing its part to assist in this effort. I bring to your attention, a couple of examples in our community. In Bismarck, the Community Bowl needed an \$8 million dollar renovation. The business community put together a plan to fund \$5 million of this project through sponsorships. The remaining \$3 million was split between the city of Bismarck and the school district.

In Mandan, as a result of a Leadership Bismarck-Manda project, a fundraising drive for a Universal playground is underway. This playground that allows for children of all ability levels to play in the same area is slated to be constructed in North Mandan. This \$500,000 project is currently \$300,000 towards its goal with strong support from the business community.

The business community across the state is a strong supporter of community projects. However, we are quickly reaching a point of donor fatigue. In Bismarck-Mandan alone, the capital campaigns in progress or on the drawing board total well over \$100 million dollars. That is a significant sum for any community to fund through donations.

Many communities are now finding their way to the Outdoor Heritage Fund to request assistance. Projects such as the Carrington golf course; Beulah Park District Lions Park; rebuilding the Tioga pool; city of Munich seeking playground equipment; rebuilding the city basketball courts in Mott; the Lake Tschida playground; the Beach, city playground are but a few of the examples from recent OHF applications. These applications bring to light an unmet need in our communities.

That brings us to SB 2378. SB2378 is an additional tool to assist communities in generating revenues to address the quality of life facilities in our communities. This bill is modeled after the Housing Incentive Fund. This bill creates a fund administered through the Bank of North Dakota with assistance from North Dakota Parks and Recreation to provide funding to recreational, arts, science and quality of life amenity projects. To ensure there is community buy-in, a grant from this fund may not be the primary funding source for a community project. The exception is that a community may receive a grant of one hundred percent for recreational equipment.

The funding source for this grant program is envisioned to be tax credits which replicate the language of the Housing Incentive Fund. As you will note in the proposed bill draft, the amount of this program is yet to be determined.

Thank you for consideration of SB2378. We ask for a do-pass to full Senate for further consideration.



Rob Asghar Contributor

I write about what success looks like today.

Opinions expressed by Forbes Contributors are their own.

LEADERSHIP 1/14/2014 @ 12:23PM · 73,576 views

Gen X Is From Mars, Gen Y Is From Venus: A Primer On How To Motivate A Millennial

Comment Now

Baby boomers made a deafening noise as they came of age, demanding that the world bend in their direction. Now here's a shock: They raised their kids to have pretty much the same expectations. Those kids are now known as the Millennial Generation or Generation Y, spanning the early 20s to early 30s, and they're driving many of their elders nuts—particularly those who belong to Generation X, which roughly spans the ages of mid-30s through late 40s.

Jamie Gutfreund of the Intelligence Group spends a great deal of time examining the differing motivations and preferences of the generations. Gutfreund (herself a member of Generation X) says it's important to bear in mind that Xers were culturally different from the Baby Boom Generation that preceded them.



Is this how many managers of Generation X view their millennial employees? (Photo credit: iDr11icks46)

While boomers insisted on being heard by the world, "we [Xers] were a smaller generation [less than half the size of the boomer generation] who felt no one was listening to us," she says. "We felt we had to fight" to have a voice, to make an impact, to earn a seat at the table of power.

"Generation Y was raised with a different perspective," she says. "Their Boomer parents taught them that their opinions are important. So they have an expectation to have a stake in outcomes."

In a wide-ranging interview last week, Gen Xer Gutfreund and her millennial colleague Shara Senderoff (CEO of Intern Sushi) offered me some shrewd insights into how and why Xers and millennials differ, summarized below.

[A sadly necessary disclaimer: Hell, yes, these are broad and sweeping generalizations, just like when we say, "America chose Barack Obama as president in 2012" even though nearly half of American voters wanted Mitt Romney. The White House doesn't go unoccupied because of a lack of unanimity, and the same principle applies to this analysis.]

1. A Different Concept of Authority

Gutfreund says that Xers view the boss as an expert—someone whose hard-earned experience and skill demand consideration and deference. Access to authority is limited and must be earned.

By contrast, Senderoff says, "Millennials think they can go in on the first day and talk to the CEO about what's on their mind. The Generation X manager thinks, 'What are you doing?'"

But she and Gutfreund note that it's only natural for millennials to feel that way, given how their Boomer parents raised them to believe that their voice matters.

If a manager asks a Generation X employee to jump, the employee jumps and then asks, "Was that high enough?" But if a manager asks a millennial employee to jump, the employee is more likely to furrow an eyebrow and ask, "Why...?"

Senderoff says that even her best millennial employees will react in that manner. She adds that this may feel like a mutiny, but it's not. The millennial has been raised in an environment in which she's encouraged to engage and question authority; why would she accept a lesser bargain in the workplace?

Bear in mind again that millennials are the offspring of the Boomer parents who spent their formative adult years questioning authority. Gutfreund says that managers thus need to understand the benefit of shifting from "a command and control style to a more inclusive management philosophy.

2. A Different Set of Motivations

Gutfreund describes Xers as a "very individualistic generation. They were very independent. They wanted to get the corner office and the trappings of success." Millennials, by contrast, want to find purpose in their toil and their career, she says, which does not necessarily come from getting the highest possible salary or nicest office.

"Generation X lives to work," she observes. "Generation Y works to live." Generation Y has multiple passions and is more global than any of its predecessors, as 70% of them say they would like to work abroad sometime over the course of their lives.

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"Millennials are focused on making meaning, not just making money." This may well strike Xer managers and HR personnel as too precious and lofty an attitude for the real world, but that's the reality that organizations have to come to grips with.

3. A Desire for a Different Sort of Work Environment

Gen X tends to be structured and punctual and linear. Millennials can be unstructured and nonlinear, which can be maddening to the Xers.

Also, millennials are motivated by autonomy. They're not clock-watching pencil-pushers, and they're not lazy; they fully expect to be available to work 24/7, Gutfreund and Senderoff say, but they also expect the ability to leave the desk behind and take a walk.

Gutfreund says that, when you ask millennials where they'd like to work, the answer is generally: First, Google; second, Apple; and third, for *themselves*.

Indeed, both companies project a mission to change the world or at least make it a more interesting place. And Google's free-wheeling but intense and highly productive culture speaks to most millennials, what with the many perks that seem to make the corporate campus more like a college campus.

But Senderoff clarifies, "It's not about free stuff [like lavish cafeterias and on-site massage therapists]. It 100% comes down to culture."

She also says you can't motivate millennials to join your company just by posting a generic job listing that may suit their skills. They want to sense what the larger company is about in terms of its mission and its values and they want to see it modeled by its leaders.

"They want to know," she says, "how close would they be to executives they can hear and learn from." They need a vivid picture in their head of how working for you would make their lives and their world better.

4. A Different Concept of Progress on a Project

Gen Xers famously bemoan the "flakiness" of millennials. Senderoff suggests that this is actually a result of speaking a language that millennials aren't wired to understand.

"Millennials move through things quickly," she says. "They think very quickly, and they're used to doing so many things at one time." The upshot, she says, is that they may deliver a prototype when the Xer manager expects a more polished finished prototype.

In this case, she says the manager needs to communicate her needs more clearly, while also understanding that the millennial appreciates regular feedback and coaching throughout the process.

Are we ready for a change in the workplace that allows millennials to bring their full talents to bear on our organizations?

Gutfreund says we aren't as far along as we should be. "Many senior execs who run companies are delaying changes that need to happen," she says, "... such as HR and performance reviews, because of short-term imperatives."

And she suggests that a focus on long-term growth demands that the necessary culture changes be given greater priority.

[We'll be looking further this week into the clash of generations within the workplace. Please join us and share your thoughts, experiences and insights with our Forbes.com community in the comments section below. And hit *Follow* at the top of the page to be alerted about new posts.]

This article is available online at: <http://onforb.es/1kA7Lxs>

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What is universal design?



Photo courtesy of Playworld Systems

Playgrounds created with a universal design meet the needs of everyone. Limited pieces of accessible playground equipment exist in scattered locations around Bismarck-Mandan, but they can be difficult to access and the location of the equipment often segregates users. Universal

design allows everyone to interact and play together.

Universal design features could include such items as:

- Swings with high backs and safety harnesses
- Interactive sensory objects, such as musical toys, mazes and puzzles
- Horizontal conveyor belt slides
- Bridges and pathways with wide clearances and low-to-the-ground platforms

A smooth, durable rubber surface is critical in allowing everyone to move about independently.

The playground is a child's classroom. They learn to negotiate while waiting in line for the slide; they learn to communicate by playing pirates on the bridge. Most importantly, they learn to trust themselves and others by interacting physically, emotionally and socially with their peers.

While we would never deny a child entrance into a classroom, we routinely deny children with disabilities entrance onto the playground, as the majority of traditional playgrounds are physically inaccessible to them. When children with disabilities can reach a structure, there are often only one or two pieces of equipment available to them, leaving them out of the majority of play activities. This means children with disabilities are denied access to their social circle and to the vital benefits of play. This project aims to change that.

The need in our community



Families in our community must drive long distances to access a universal playground. Bismarck residents Craig and Janel Glass drive their 4-year-old son, Aiden, 100 miles north to Minot so he can play.

Meet more families (/community.html) in the Bismarck-Mandan community impacted by this project.

A community project

The plan to build a universal playground began as a Leadership Bismarck-Mandan (<http://lbmaa.org/>) project and quickly blossomed with the support of the Mandan Park District. Since fundraising began in May 2014, donations have steadily rolled in. Recent title sponsor donations from the Tom and Frances Leach Foundation and Otto Bremer Foundation brought the project from a vision to a reality. The Bismarck-Mandan universal playground is tentatively scheduled to open in the fall of 2015.

Resources

- 7 Principles of Inclusive Playground Design (<http://www.inclusiveplaygrounds.org/me2/principles>)
- Developmental benefits of inclusive play (<https://www.playlsi.com/en/inclusive-play/developmental-benefits/>)
- Accessible design vs. universal design (<http://www.ncaonline.org/resources/articles/playground-universaldesign.shtml>)
- (<https://www.facebook.com/media/set/?set=a.146143698738750.23347.146138722072581&type=3>) Ali's Boundless Playground (<http://www.thearcupervalley.com/html/playground.html>), Grand Forks, ND
- Magic Smiles Playground (<https://www.facebook.com/media/set/?set=a.146143698738750.23347.146138722072581&type=3>), Minot, ND
- Play 4 All Playground (<https://www.facebook.com/Play4AllPlayground>), Williston, ND

Photo used under Creative Commons from gemsling (<http://www.flickr.com/photos/23876767@N00/2805186876>)

Thank you to all our generous sponsors!

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SB2378
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----- Diamond (Title) Sponsors -----

Tom and Frances
Leach Foundation, Inc.


OTTO BREMER FOUNDATION

----- Platinum Sponsors -----



----- Gold Sponsors -----



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- Mandan Lions
- Ronald McDonald House Charities of Bismarck

----- Silver Sponsors -----



- Associated Pool Builders
- Basin Electric Power Cooperative
- Dakota Center for Independent Living
- Douglass Prchal



----- Bronze Sponsors -----



- Bismarck-Mandan Mayor's Committee for People with Disabilities
- BNC National Bank
- Century 21 Morrison Realty and Agents
- Jason and Ann Kirchmeier
- John L. McCormick Memorial Trust
- Mandon Men's Slow Pitch Softball Assoc.
- Brenda and Tony Nagel
- Oral Surgery Center of Bismarck
- Ronald Schaner
- Scheels



Mandan Moose Lodge 425

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150 yards of concrete at cost



PROTECT OUR TURF

A Community Campaign to Support the Community Bowl



MDU Resources	\$2,000,000
Scoreboard Sponsor(s)	\$1,000,000
Suite Rentals	\$1,500,000
Locker Room Sponsors	\$300,000
Training Room Sponsors	\$100,000
Press Box Sponsor(s)	\$150,000
Public Entities	\$3,000,000
Total	\$8,050,000

Our Goal is To Pay Off Renovations in 5 to 6 Years!

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#3
SB2378



THE CHAMBER
FARGO MOORHEAD WEST FARGO

February 3, 2015

Senate Finance and Tax Committee:

Keeping pace with the economic momentum in North Dakota has created a sense of urgency among leaders to find the qualified work force necessary to reach our economic potential. Not only do we need to attract those qualified workers, but we need to retain them in our communities and show them North Dakota is a great place to live, work, play and do business. On behalf of the Fargo Moorhead West Fargo Chamber of Commerce, our Board of Directors and our more than 2,100 members, I urge you to support Senate Bill 2378.

With North Dakota's unemployment hovering around the lowest in the nation, we need to evaluate where we will bring in the necessary work force. Changing demographics and younger generations entering the workforce in droves indicates that employee priorities are shifting and will continue to do so. Young professionals are seeking work/life balance and are willing to trade higher pay for more flexible schedules and fewer hours. Young families and workers want to feel connected to their community through activities outside of work.

To attract and retain the nearly 28,000 employees that we need to fill open jobs, we must be competitive with other booming metro areas. Offering amenities such as safe playgrounds, quality sporting facilities like baseball fields, ice rinks and clean outdoor recreational areas is integral to increasing the quality of life in our state. Not only do these amenities provide people with things to do but it offers them the chance to connect with other individuals and families who enjoy the same activities that they do. Creating that connection increases the chances of individuals and families staying in our strong communities.

Senate Bill 2378 offers an option to communities who are looking at what to do next. Many communities have already committed to improving recreational facilities, but exponential population growth makes keeping up tough. By assisting communities who receive this grant, we will be able to help them move toward their goals as a city. Please support Senate Bill 2378; not only does it move individual communities forward, but we advance as a state.

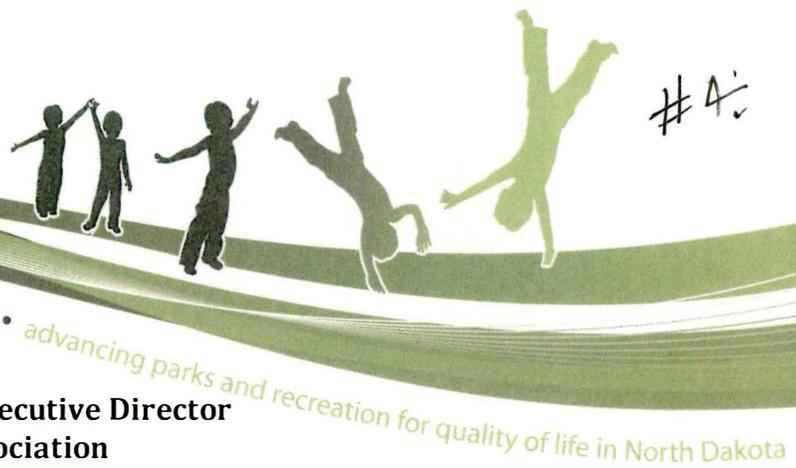
Sincerely,

Craig Whitney
President/CEO

Fargo Moorhead West Fargo Chamber of Commerce

NDRPA

North Dakota Recreation & Park Association •



advancing parks and recreation for quality of life in North Dakota

**Testimony of Dana Schaar Jahner, Executive Director
North Dakota Recreation & Park Association
To Senate Finance and Taxation Committee
In Support of SB 2378
Tuesday, February 3, 2015**

Chairman Cook and Members of the Committee, my name is Dana Schaar Jahner, and I am executive director of the North Dakota Recreation & Park Association (NDRPA). NDRPA represents more than 600 members across the state, including park districts, and works to advance parks and recreation for an enhanced quality of life in North Dakota. We support the concept of a local community incentive fund program as outlined in SB 2378.

Park district-operated parks and recreation facilities are valuable community infrastructure. Use of facilities is significant, as determined in a 2013 economic contribution study completed by North Dakota State University. For the state's 12 largest park districts, annual participation in leagues, sporting events, and community activities was estimated at 505,000 individuals. This does not include participation in open-access facilities (e.g., trails, boat ramps, playgrounds, etc.). Total economic impacts (combined direct and secondary impacts) for the city park districts were estimated at \$569 million.

Park districts have always worked closely with community partners to enhance and expand facilities that are affordable and accessible to the communities they serve. SB 2378 provides another tool to help park districts meet the increasing recreation demands of rapidly expanding communities, particularly in an era of significantly decreased federal grant support for these facilities.

While the specific details of the grant program are not outlined in the bill, NDRPA supports an open grant process that provides equal opportunities for park districts of all sizes, from small towns to urban centers, to apply for available grant funds.

NDRPA supports the concept of a local community incentive fund program as an additional tool and not a replacement for any existing funding mechanisms for parks and recreation facilities throughout North Dakota.



NORTH DAKOTA
COMMUNITY
FOUNDATION

#5

Kevin J. Dvorak, President & CEO

701-222-8349 – kdvorak@ndcf.net-- www.ndcf.net

North Dakota Community Foundation

Testimony – **SB 2378**

February 3, 2015

Chairman Cook and members of the Committee

I am Kevin Dvorak, President of the North Dakota Community Foundation (NDCF). I am here to testify in support of SB 2378. SB2378 would provide a 100% tax credit for gifts by ND taxpayers for building projects that improve the quality of life for North Dakota's citizens.

It just so happens that the North Dakota Community Foundation's mission statement is "To improve the quality of life for North Dakota's citizens by promoting philanthropy and charitable giving". That is certainly a very broad mission, but it aligns with the goals stated in the bill before you.

The NDCF accomplishes its mission in many ways. Our main work is to build permanent endowment to support the needs of North Dakota's citizens in perpetuity. We have 60 local affiliate community foundations across North Dakota who have permanent flexible financial resources which have been built with the help of local board consisting of 5 to 9 volunteers who give of their time, treasure and talent to achieve this goal. Please refer to our map.

We also have several local school foundations affiliated with the NDCF who are listed on the handout as well. Each of those has been authorized by the local school board, staffed by volunteers and work to raise monies to enhance education for the students of those communities.

In addition to that work, we continually assist communities to raise private funds to enhance or actually accomplish building projects that enhance the quality of life in the local community. On the handout is a partial list of projects for which we have established a restricted charitable fund, raised the money and then granted back to the community for the named project. You may have given to one or more of these projects

in your community, or heard of that project and wondered how it was accomplished. It was accomplished, first by the work of the local volunteers, with the assistance and structure of the North Dakota Community Foundation.

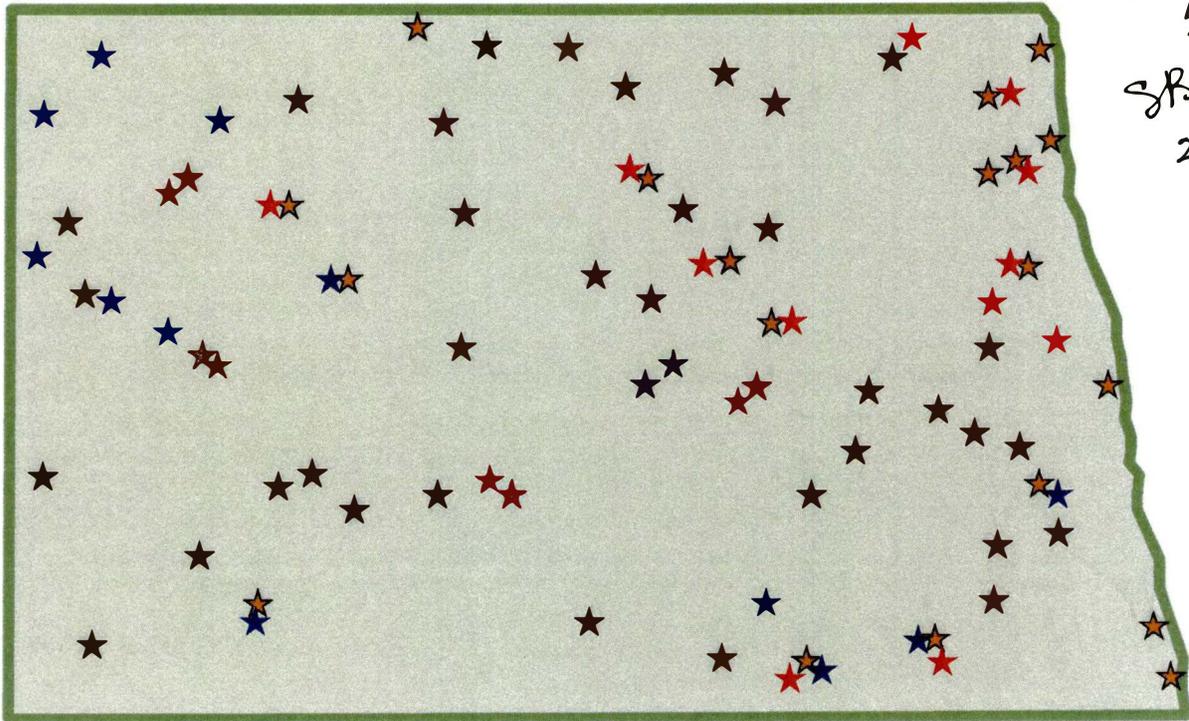
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The North Dakota Community Foundation serves statewide with 60 affiliates, there are also independent community foundations in Fargo/Moorhead, Grand Forks/East Grand Forks and Region, Devils Lake and Minot. We all work in a similar manner to improve the quality of life for the citizens in our service areas.

We have had a conversation with the entity that was the impetus for SB2378 and they concur that the community foundations serving North Dakota may be a better fit for handling this type of private philanthropic dollars than the Bank of ND.

I'd be happy to answer any questions that you may have. Mr. Chairman.

Partial Listing of Projects & Funds Already in Existence, administered through NDCF



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★ **60 Community Foundations**

★ **13 School Foundations**

- Divide County
- Grenora
- Powers Lake
- Trenton
- McKenzie County Schools
- Alexander
- Parshall
- Mott-Regent
- Ellendale
- Fessenden-Bowdon
- Kulm
- Oakes
- Northern Cass

★ **Other Projects/Funds** (not all shown on map)

- Stanley Library Fund
- Stanley Ambulance Fund
- Killdeer Ambulance
- Tioga Swimming Pool
- Grafton "Save Our Strand"
- Cavalier Screen
- Ellendale Community Clubhouse
- New Rockford Municipal Golf Course
- Cavalier Community Clubhouse
- Emerado Playground Project
- Alice Park Playground Project
- Mayville Library Building Fund
- Oakes Swimming Pool Fund
- Maddock Opera House Fund
- Walhalla Bikeway Building Project
- Cav-Landic Trail Fund
- Carrington Friends of the Library Fund
- Northwood Hockey Boosters Fund
- Rugby- Friends of the Lyric
- Pioneer Square Building Fund
- Ft. Stevenson State Park Building Fund
- ND Parks & Recreation Enhancement Fund
- Icelandic State Park Fund
- Central Dakota Cyclists Trail Fund
- Harmon Lake Recreation Area Fund
- Mandan Public Library Building Fund
- ND Aviation Hall of Fame Fund

February 17, 2015

#1
2-17-15

PROPOSED AMENDMENTS TO SENATE BILL NO. 2378

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for contributions to qualified community of life projects; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for contributions to qualified community of life projects.

1. A taxpayer is entitled to a credit against the tax imposed under section 57-38-30 or 57-38-30.3 in an amount equal to fifty percent of the present value of the aggregate amount of the contribution made by the taxpayer during the taxable year to a qualified nonprofit organization for qualified community of life projects. Eligible recipients of the tax credit under this section include units of local government, state government, tribal government, and nonprofit organizations serving communities in this state. The maximum credit that may be claimed under this section in a taxable year is twenty thousand dollars for an individual or forty thousand dollars for married individuals filing a joint return. The credit allowed under this section may not exceed that taxpayer's income tax liability. An individual may not qualify for a grant under this section.
2. A passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
3. The amount of the contribution upon which an allowable credit is computed must be added to federal taxable income in computing North Dakota taxable income in any taxable year in which the contribution reduces federal taxable income, but only to the extent that the contribution reduced federal taxable income.
4. For purposes of this section:
 - a. "Qualified community of life projects" include the construction, refurbishing, reconstruction, rehabilitation, acquisition, or improvement of recreational, arts, science, and quality of life amenity projects.
 - b. "Qualified nonprofit organization" means a North Dakota incorporated or established tax-exempt organization under 26 U.S.C. 501(c) to

which contributions qualify for federal charitable income tax deductions with an established business presence or situs in North Dakota.

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SB2378

SECTION 2. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Qualified community of life project income tax credit under section 1 of this Act.

SECTION 3. EFFECTIVE DATE - EXPIRATION DATE. This Act is effective for the first four taxable years beginning after December 31, 2014, and is thereafter ineffective."

Renumber accordingly

February 17, 2015

#1
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S/S 2378

PROPOSED AMENDMENTS TO SENATE BILL NO. 2378

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for contributions to qualified community of life projects; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for contributions to qualified community of life projects.

1. A taxpayer is entitled to a credit against the tax imposed under section 57-38-30 or 57-38-30.3 in an amount equal to forty percent of the amount contributed by the taxpayer during the taxable year to a qualified nonprofit organization for qualified community of life projects. Eligible recipients of the contributions under this section include units of local government, state government, tribal government, and nonprofit organizations serving communities in this state. An individual may not qualify for a grant under this section. The maximum credit that may be claimed under this section in a taxable year is twenty thousand dollars for an individual or forty thousand dollars for married individuals filing a joint return. The credit allowed under this section may not exceed that taxpayer's income tax liability.
2. A passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
3. The amount of the contribution upon which an allowable credit is computed must be added to federal taxable income in computing North Dakota taxable income in any taxable year in which the contribution reduces federal taxable income, but only to the extent that the contribution reduced federal taxable income.
4. For purposes of this section:
 - a. "Qualified community of life projects" include the construction, refurbishing, reconstruction, rehabilitation, acquisition, or improvement of recreational, arts, science, and quality of life amenity projects.
 - b. "Qualified nonprofit organization" means a North Dakota incorporated or established tax-exempt organization under 26 U.S.C. 501(c)(3) to which contributions qualify for federal charitable income tax

deductions with an established business presence or situs in North Dakota.

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SECTION 2. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Qualified community of life project income tax credit under section 1 of this Act.

SECTION 3. EFFECTIVE DATE - EXPIRATION DATE. This Act is effective for the first four taxable years beginning after December 31, 2014, and is thereafter ineffective."

Renumber accordingly

Senate Bill 2378 proposes a 40% tax credit to support qualified quality of life facilities, including projects such as the construction, refurbishing, reconstruction, rehabilitation, acquisition or improvement of recreational, arts, science and quality of life amenities.

The concept for this bill was brought forward by constituents in my district and across the state of North Dakota. Many communities across North Dakota are experiencing population growth and an increased demand on quality of life facilities such as ice rinks, gyms, swimming pools, playground equipment and playing fields. In many instances, there are not enough facilities to accommodate the demand. Not being able to provide these services makes it more difficult for our communities to attract and retain residents and employees.

To accomplish the intent of this bill, in Section 4B it specifies that a project must work with a qualified 501C3 non-profit organization with an established business presence in North Dakota. An example of this is the North Dakota Community Foundation or a Chamber Foundation. Utilizing our local non-profit community creates local control of projects. It also ensures that communities of all sizes across the state can utilize the opportunity.

As you look around the state, you will notice that many communities are already working on these types of issues. Williston built a \$70 million recreation center; Minot recently announced plans to move forward on an \$88 million facility. In Bismarck-Mandan and Fargo, there is considerable discussion about additional facilities including ice, gymnastics, baseball, football and soccer fields.

In my hometown of Beulah, we recently passed a 1% sales tax for a new wellness center which will raise about \$5 million. There is still a need for additional funding, which the park district is currently doing through fundraising activities. This single example in my district shows that these types of facilities are expensive and require diverse funding sources. Many communities such as Beulah cannot do the project with sales tax funding alone. SB 2378 creates another avenue for communities to secure funding for their projects currently in very high demand.

Section 3 sunsets this tax credit in four years. As a matter of policy, it is important for the state to assist in addressing the needs of our communities and SB2378 assists our communities in addressing an immediate need. However, it also protects the taxing authority of the state with a sunset clause and allows future legislative assemblies to make decisions about their priorities.

North Dakota is in a period of dynamic change. For the first time in a century, our state is gaining population and the economic outlook for our remains positive. However, we are finding a key challenge in our state is workforce attraction and retention. SB 2378 is a tool to assist communities in developing their quality of life infrastructure and to attract a workforce that now places a high prioritization of family and recreation over work. If our communities do not offer a balance, it becomes difficult to recruit them. With our low unemployment rate and a trend towards a younger population, a challenge of our communities....and our responsibility is to meet the needs of our changing demographics. SB 2378 addresses this problem and I urge your committee to support this concept.

Proposed Amendments to Senate Bill 2378

Section 1. Subsection 1. Page One. Line 9 through 12

A taxpayer is entitled to a credit against the tax imposed under section 57-38-30 or 57-38-30.3 in an amount equal to forty percent of the amount contributed by the taxpayer during the taxable year to a qualified nonprofit organization for qualified ~~community~~ quality of life projects.

Section 1. Subsection 4. Page Two. Line 6 through 8

- a. Qualified ~~community~~ quality of life projects" include the construction, refurbishing, reconstruction, rehabilitation, acquisition, or improvement of recreational, arts, science, and quality of life amenity projects.

Section 1. Subsection 4. Page Two. Line 9 through 12

- b. Qualified nonprofit organization" means a North Dakota incorporated ~~or established~~ tax-exempt organization under 26 U. S. C. 501 (c)(3) to which contributions qualify for federal charitable income tax.



Testimony
Kelvin Hullet, President
Bismarck-Mandan Chamber
SB 2378

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Mr. Chairman and members of the Committee, I am Kelvin Hullet, President of the Bismarck-Mandan Chamber. I am here today in support of Senate Bill 2378. North Dakota is in a period of dynamic change. For the first time in a century, our state is gaining population and the economic outlook for our remains positive. However, we are finding a key challenge in our state is workforce attraction and retention. SB 2378 is a tool to assist communities with their quality of life infrastructure.

Unfortunately, in North Dakota, we traditionally did not give much thought to our quality of life infrastructure. As one of my board members says of recreational facilities, "good enough is good enough". However, with our unemployment rate hovering at the lowest in the nation and a trend towards a younger population, our challenge is to meet the changing demographics of our state. Quality of life facilities are a key part of that challenge.

Studies show that today's young professionals view the role of work and recreation in their life different than past generations. While many of us chose our community based on employment, the "Y" generation is just the opposite. Today's young people are willing to trade high pay for fewer hours, flexible schedules and a work / life balance. In short, they prioritize family over work and if a community does not offer a balance, it becomes difficult to recruit them. I direct you to the recent Forbes article attached to my testimony.

As the business community strives to recruit and retain young professionals, we are finding the quality of life amenities in our communities need attention. There is not enough playground equipment; gyms; sheets of ice; swimming pools or baseball fields to meet the growing demand in our changing demographic. Some communities are already striving to address these needs.

Everyone is aware of the new recreation center in Williston. Last week, Minot voted to move forward with a sales tax proposal to fund a new facility and in our community, Mandan is considering a half-cent sales tax proposal to fund a hockey facility. While these sales tax proposals will work in some communities, in smaller communities, it is not an option and their property tax value does not generate enough funding to be meaningful.

The business community across the state is a strong supporter of community projects. However, we are quickly reaching a point of donor fatigue. In Bismarck-Mandan alone, the capital campaigns in progress or on the drawing board total well over \$100 million dollars. That is a significant sum for any community to fund through donations.

Many communities are now finding their way to the Outdoor Heritage Fund to request assistance. Projects such as the Carrington golf course; Beulah Park District Lions Park; rebuilding the Tioga pool; city of Munich seeking playground equipment; rebuilding the city basketball courts in Mott; the Lake Tschida playground; the Beach, city playground are but a few of the examples from recent OHF applications. These applications bring to light an unmet need in our communities.

That brings us to SB 2378. SB2378 is an additional tool to assist communities in generating revenues to address the quality of life facilities in our communities. Under SB2378, qualified quality of life projects as defined under Section 4, subsection a are projects that include the construction, refurbishing, reconstruction, rehabilitation, acquisition, or improvement of recreational, arts, science and quality of life amenities.

As amended, this bill provides a 40% tax credit for contributions to a North Dakota incorporated 501 C3 for qualified quality of life projects. I want to point out three important components of SB2378.

First, it provides for local control. Communities must identify the needs in their community and put together a plan utilizing private and public funding to bring a project forward.

Second, it allows for a funding mechanism that reduces the reliance on property or sales tax revenues.

Third, SB2378 has a sunset clause. The bill expires in December of 2018. While it is important for the state to assist communities in creating these facilities, it is not an endless provider of funding that decreases state tax revenues.

Thank you for consideration of SB2378. We ask for a do-pass recommendation to the full House of Representatives.

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Proposed Amendments to Senate Bill 2378

Section 1. Subsection 1. Page One. Line 9 through 12

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THE CHAMBER
FARGO MOORHEAD WEST FARGO

February 3, 2015

Senate Finance and Tax Committee:

Keeping pace with the economic momentum in North Dakota has created a sense of urgency among leaders to find the qualified work force necessary to reach our economic potential. Not only do we need to attract those qualified workers, but we need to retain them in our communities and show them North Dakota is a great place to live, work, play and do business. On behalf of the Fargo Moorhead West Fargo Chamber of Commerce, our Board of Directors and our more than 2,100 members, I urge you to support Senate Bill 2378.

With North Dakota's unemployment hovering around the lowest in the nation, we need to evaluate where we will bring in the necessary work force. Changing demographics and younger generations entering the workforce in droves indicates that employee priorities are shifting and will continue to do so. Young professionals are seeking work/life balance and are willing to trade higher pay for more flexible schedules and fewer hours. Young families and workers want to feel connected to their community through activities outside of work.

To attract and retain the nearly 28,000 employees that we need to fill open jobs, we must be competitive with other booming metro areas. Offering amenities such as safe playgrounds, quality sporting facilities like baseball fields, ice rinks and clean outdoor recreational areas is integral to increasing the quality of life in our state. Not only do these amenities provide people with things to do but it offers them the chance to connect with other individuals and families who enjoy the same activities that they do. Creating that connection increases the chances of individuals and families staying in our strong communities.

Senate Bill 2378 offers an option to communities who are looking at what to do next. Many communities have already committed to improving recreational facilities, but exponential population growth makes keeping up tough. By assisting communities who receive this grant, we will be able to help them move toward their goals as a city. Please support Senate Bill 2378; not only does it move individual communities forward, but we advance as a state.

Sincerely,

Craig Whitney
President/CEO

Fargo Moorhead West Fargo Chamber of Commerce

NDRPA

North Dakota Recreation & Park Association •

advancing parks and recreation for quality of life in North Dakota



SB 2378
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#5

**Testimony of Dana Schaar Jahner, Executive Director
North Dakota Recreation & Park Association
To House Finance and Taxation Committee
In Support of SB 2378
Tuesday, March 10, 2015**

Chairman Headland and Members of the Committee, my name is Dana Schaar Jahner, and I am executive director of the North Dakota Recreation & Park Association (NDRPA). NDRPA represents more than 600 members across the state, including park districts, and works to advance parks and recreation for an enhanced quality of life in North Dakota. We support the community quality of life income tax credit as outlined in SB 2378.

Park district-operated parks and recreation facilities are valuable community infrastructure. Use of facilities is significant, as determined in a 2013 economic contribution study completed by North Dakota State University. For the state's 12 largest park districts, annual participation in leagues, sporting events, and community activities was estimated at 505,000 individuals. This does not include participation in open-access facilities (e.g., trails, boat ramps, playgrounds, etc.). Total economic impacts (combined direct and secondary impacts) for the city park districts were estimated at \$569 million.

Park districts have always worked closely with community partners to enhance and expand facilities that are affordable and accessible to the communities they serve. SB 2378 provides another tool to help park districts meet the increasing recreation demands of rapidly expanding communities, particularly in an era of significantly decreased federal grant support for these facilities.

NDRPA asks the committee to support a do pass recommendation on SB 2378.