

Testimony in Opposition to House Bill 1310
March 10, 2021
House Finance and Taxation Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good Morning Madame Chair and members of the Senate Finance and Taxation Committee. For the record, my name is Bill Wocken and I am testifying in opposition to House Bill 1310 on behalf of the North Dakota League of Cities.

House Bill 1310 sets up a new exemption to payment of sales tax if the retailer did not collect sales tax and the purchase was \$5,000 or less. It also exempts payment of the use tax if sales tax was not collected on the subject goods and the goods being installed are valued at less than \$5,000. Section 2 of the bill differentiates between goods intended to be used inside the state and those not so intended, but both are exempted.

At present, North Dakota law requires that someone pays sales tax at the time of purchase or the use tax at the time of installation. This is necessary since not all goods used in buildings are sold in North Dakota to non-exempt entities. State law does not require a sales tax permit until sales reach \$100,000 in any year. The practical effect of the relief sought by House Bill 1310 would appear to be avoidance of payment of sales tax or the use tax on for materials worth \$5,000 or less for which sales tax was not collected. The present safety net for collection of these taxes would no longer exist. There is no limit on the number of \$5,000 sales allowed for any party or project. We believe the bill may incent owners and contractors to purchase their building materials from sources outside North Dakota where sales tax is not collected.

The North Dakota League of Cities is concerned for the effect this change would have on sales and use tax collections utilized by the state and local governments to provide services. There is no fiscal note on the bill, perhaps the fiscal impacts of the bill could not be calculated, but we believe the fiscal effects of the bill may be substantial. We are concerned now, as we were when this concept was considered last session, about unintended consequences on revenue collections.

We are not sure answers are available for all the questions this bill raises so we must respectfully request a DO NOT PASS recommendation for House Bill 1310.