

1999 HOUSE FINANCE AND TAXATION

HB 1470

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1470

House Finance and Taxation Committee

Conference Committee

Hearing Date February 2, 1999

Tape Number	Side A	Side B	Meter #
1	x		0.8
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. BELTER Opened the hearing.

REP. JIM KERZMAN, DIST. 35, Introduced the bill. See written testimony. He also submitted written testimony from Rep. Merle Boucher. See attached copy.

REP. BELTER The governor has put in an additional fund for research and there is a house initiative that will put additional funds into agricultural research, this looks like it will cost one million and a half to the North Dakota producers, does that million and a half that would go into research, is it your intent that that would be above the governor and other house initiatives that are being proposed?

REP. KERZMAN I don't think I would word it quite that way. Nothing is sure that the governor's proposal will go through, we hope it will, but if we get it over and above, it would be a plus. Basically, all this does, is shift the burden from gas producers to homes.

REP. GROSZ When you add a half cent to the cost of diesel fuel, diesel fuel is roughly, just home heating oil.

REP. KERZMAN I think it exempts that out. I think it is only agricultural fuel tax.

REP. GROSZ There is another bill in to move the point of taxation which would change it to a cent per gallon of diesel fuel instead of a percent of the end use of sale, if that passes, this section of law will not exist. Was there any thought put into just a quarter of a cent?

REP. KERZMAN I thought about that, and I heard the rumors, I am not aware of the other bill. I heard of a bill to apply the tax at the rack, I have problems with that, with evaporation. I would like to keep it where it is and keep it on a percentage basis like this.

SEN. STEVE TOMAC, DIST 31, Testified in support of the bill. I signed onto this bill because of a fairness issue. I think it is unfair that those people that produce the bulk of the commodities and use the bulk of the research in this state are the diesel users, and it seems unfair that this burden has to be borne by those that use gas and lighter horse powered equipment. The intent of this bill is to shift that. It is not the intent of this bill to raise more revenue, all we are trying to do is shift the burden from the gas powered users to the diesel powered users. We were not aware until this morning what the fiscal effect would be. The intent is to be revenue neutral.

SEN. AARON KRAUTER, DIST. 35, Testified in support of the bill. Stated it frustrated him when he went to the Legislative Council and the Tax Department and asked for a listing county by county, or by zip code, of where these tax dollars have been coming in to support the ag research. I have always been told that, by the way we have the program written, we can't provide that for you. It has frustrated me, from the standpoint, that the revenue resource has

always been from one part of the state or other. When I look at this and see the majority of the farming operations use diesel. When I signed onto the bill, the intent was not for heating fuel or those other things.

REP. WARNER Would the sponsors of the bill be agreeable if we could amend this bill to make it revenue neutral?

SEN. KRAUTER From my standpoint, that would be the intent.

REP. BELTER TO JOAN GALSTER Do you have any figures on the four cents that went into the research fund, does that four cents bring in approximately a million and a half?

JOAN GALSTER, STATE TAX DEPARTMENT, That fund brings in about \$606,000 per fiscal year. She also submitted a copy of Sections of Article 10, Section 11, of the North Dakota Constitution. She thought the committee should be aware of that there is a possibility of a constitutional issue here. The constitution provides that any tax on motor fuel be deposited in the highway distribution fund. This bill increases fuel tax and does not deposit it into the highway distribution fund.

REP. BELTER If we wanted to do this, could we call it something other than the tax on diesel fuel

JOAN GALSTER I don't know how you would recall that constitutionally, by using money for something other than highway funds.

REP. WINRICH Why doesn't that constitutional provision affect the tax refund on gas tax, that is also a fuel tax?

JOAN GALSTER That is a refund, it is money withheld from the refund of an agricultural fuel user. It is actually taking the money away from the consumer, it is not taking it away from the highway distribution fund.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-2-99, Tape #1, Side B, Meter #22

Committee members discussed the constitutionality issue of the bill. Most committee members felt the bill should become revenue neutral.

The bill would be acted on at a later date.

COMMITTEE ACTION 2-9-99, Tape #1, Side A, Meter #33.2

REP. RENNERFELDT Made a motion for a DO NOT PASS.

REP. MICKELSON Second the motion. MOTION CARRIED.

10 Yes 4 No 1 Absent

REP. MICKELSON Was given the floor assignment.

FISCAL NOTE

Return original and 14 copies)

Bill/Resolution No.: HB 1470

Amendment to: _____

Requested by Legislative Council

Date of Request: 1/20/99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

Narrative: If enacted, HB 1470 is expected to increase revenues to the agricultural research fund by \$1,512 million in the 1999-2001 biennium.

2. **State** fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$1,512,000		
Expenditures						

3. What, if any, is the effect of this measure on the budget for your agency or department:

- a. For rest of 1997-99 biennium: _____
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- b. For the 1999-2001 biennium: _____
(Indicate the portion of this amount included in the 1999-2001 executive budget:)
- c. For the 2001-03 biennium: _____

4. **County, city, and school district** fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed
attach a supplemental sheet.

Signed: *Kathryn L. Strombeck*

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: February 1, 1999

Phone Number: 328-3402

Please type or use black pen to complete

Date 2-9-99
Roll call vote # 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1470

House HOUSE FINANCE & TAX Committee

- Subcommittee on _____
- Conference Committee

} Identify or check where appropriate

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Rennerfeldt Seconded By Rep. Mickelson

Representatives	Yes	No	Representatives	Yes	No
BELTER	✓		WINRICH	✓	
RENNERFELDT	✓				
CLARK	✓				
FROELICH		✓			
GRANDE	✓				
GROSZ	A				
HERBEL	✓				
KROEBER	✓				
MICKELSON	✓				
NICHOLAS		✓			
RENNER	✓				
SCHMIDT		✓			
WARNER		✓			
WIKENHEISER	✓				

Total 10 4
(Yes) (No)

Absent 1

Floor Assignment Rep. Mickelson

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

DO NOT USE HIGHLIGHTER ON ANY FORMS

REPORT OF STANDING COMMITTEE (410)
February 9, 1999 11:18 a.m.

Module No: HR-26-2321
Carrier: Mickelson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1470: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (10 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1470 was placed on the Eleventh order on the calendar.

1999 TESTIMONY

FB 1470

**Testimony
HB 1470
Rep. Jim Kerzman**

Chairman Belter and Members of the House Finance & Taxation Committee:

House Bill 1470 would broaden the base of agricultural producers contributing to the agricultural research fund.

As many of you know, last session we tried many ways to get more agricultural research funding. The Legislature looked at commodity check-offs, the ethanol reserve fund, and finally settled on taking four cents from the gas tax refund.

While this is one way to divert money into agricultural research, I don't think it is really fair. In this day and age most farm equipment runs on diesel fuel. It is almost impossible to purchase any updated machinery that is gas powered. Many farmers that I have visited with use such a limited amount of gas that they don't even apply for a refund.

When looking at diesel fuel we realize that most bulk fuel is tax exempt, except for the two percent excise tax. According to the figures I received recently, the two percent excise tax brings in about \$5 million a year.

The four cent gas tax refund brought in a little over \$600,000 last year. A half-cent excise tax on diesel fuel should bring in around \$1 million.

Agricultural research is so important; we have to do all we can to assure that North Dakota's greatest renewable resources - its agricultural products - are top-quality and are produced cost-effectively.

HB 1470 should be revenue neutral or slight enhanced. Section One eliminates the four cent gas tax refund. Section Two imposes an additional half percent excise tax on bulk fuel. Section Three takes 20% of the collected 2½ percent excise tax and deposits it into the agricultural research fund. This 20% should generate about the same amount that the four cent per gallon collected from the gas tax refund.

If we can increase the number of producers contributing to the agricultural research fund, while maintaining the size of the fund, we spread the burden among all those who will eventually benefit from research. This is much fairer than the current method of financing the fund.

Respectfully submitted,

Rep. Jim Kerzman

TESTIMONY FOR HOUSE BILL 1470
Prepared By Representative Merle Boucher
Tuesday - February 2, 1999

Chairman Belter and members of the House Finance and Taxation Committee for the record I am Representative Merle Boucher, from District 9, which is Rolette County.

The current agriculture crisis has made all citizens more aware of the many needs that exist in the farming sector. Problems with disease, the desire to find alternative crops, and interest in value added initiatives makes our investment in agriculture research more important than ever.

There has been much discussion regarding the current four cent gas tax refund. The principal argument is that the amount of revenue generated by the current plan is insufficient. Secondly, most farm tractors and engine powered implements run on diesel fuel, consequently many say the burden falls upon a limited number of producers, while agriculture research is for the benefit of all farmers.

HB 1470 should slightly enhance the amount of revenue collected for agriculture research and collections would come from a broad user base. Members of the House Finance and Taxation Committee, I recommend a DUE PASS on HB 1470