

**1999 SENATE FINANCE AND TAXATION**  
**SB 2277**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2277

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1-27-99

Tape Number	Side A	Side B	Meter #
2,277	X		0-1890
Committee Clerk Signature <i>Sheila Wald</i>			

Minutes:

Sen Urlacher opened the hearing bill 2277, roll taken and the BILL RELATING TO SALES & USE TAX EXEMPTIONS FOR CERTAIN BLDG. MATERIALS USED IN ECONOMICALLY DISADVANTAGED CITIES.

Sen Kroeplin - This bill would acknowledge small cities that are economically disadvantaged.

Sen Stenehjem - If school is remodeling are they exempt?

Sen Kroeplin - If school is closed and they remodel it for business.

Sen Stenehjem - What taxes are we talking about?

Sen Kroeplin - That should be sales tax, on materials to construct. On line 7, the title tells the whole picture.

Gary Anderson -Tax Comm Specialist. When school make purchases they are not subject to tax, but when there is construction, the contractor would be responsible for tax on materials.

Connie Sprynczynatek - League of Cities. If you take the top 14 cities that are affected, it would be Beulah on up. Section applies to small communities. Spur growth in these small towns.

I applaud the intent for it keeps small communities in good standing. There are 74 cities that levy sales tx. In more than half, would have an exemption, home rule they make their own judgment. Exemptions come from governing boards. Bismarck has had that in place.

Gary Anderson- fiscal note, I would like to add information. Closed schools in the community 79 cities, their population up to 400 in population. Avg. is less than a 100 people in community. 258 cities incorporated within ND with population under 500. Based our fiscal analysis using some of those numbers. Homes constructed in ND, we determined that 50% of the home is materials. Commercial projects like the elevator adding storage tanks that would be a extension.

Consider projects yearly. We gathered as much data as we could.

Sen Urlacher - closed the hearing.

DISCUSSION 1-27-99 0 - 1890 A MOTION WAS MADE BY SEN WARDNER TO DO  
PASS AND SECONDED BY SEN KINNOIN. VOTE IS 5 Y 2 N O ABSENT. SEN KINNOIN  
WILL CARRY THE BILL..

## FISCAL NOTE

(Return original and 14 copies)

Bill/Resolution No.: \_\_\_\_\_

Amendment to: SB 2277

Requested by Legislative Council

Date of Request: 2/18/99

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 as amended, SB 2277 is expected to reduce revenues by \$192,000 during 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
<b>Revenues</b>			-\$177,000	-\$15,000		
<b>Expenditures</b>						

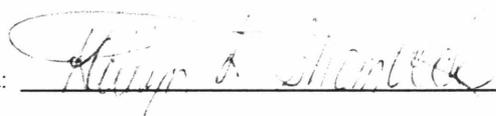
3. What, if any, is the effect of this measure on the budget for your agency or department:

- 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: 

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: February 22, 1999

Phone Number: 328-3402

## FISCAL NOTE

(Return original and 14 copies)

Resolution No.: SB 2277

Amendment to: \_\_\_\_\_

Requested by Legislative Council

Date of Request: 1/19/99

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 SB 2277 is expected to reduce revenues by \$420,000 during 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
<b>Revenues</b>			-\$386,000	-\$34,000		
<b>Expenditures</b>						

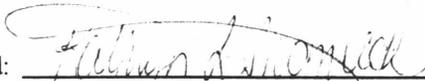
3. What, if any, is the effect of this measure on the budget for your agency or department:

- 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: \_\_\_\_\_

**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: 

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 26, 1999

Phone Number: 328-3402

Date: 1-27-99  
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2277

Senate Senate Finance and Taxation Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken No Pass

Motion Made By Wardner Seconded By Kinnoin

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	1	✓			
SENATOR SCHOBINGER		✓			
SENATOR STENEHJEM	✓				
SENATOR WARDNER	✓				
SENATOR KINNOIN	✓				
SENATOR KROEPLIN	✓				

Total (Yes) 5 No 2

Absent \_\_\_\_\_

Floor Assignment Sen. Kinnoin

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

REPORT OF STANDING COMMITTEE (410)  
January 28, 1999 10:08 a.m.

Module No: SR-18-1357  
Carrier: Kinnoin  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2277: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2277 was placed on the Eleventh order on the calendar.**

**1999 SENATE APPROPRIATIONS**

**SB 2277**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2277

Senate Appropriations Committee

Conference Committee

Hearing Date February 1, 1999

Tape Number	Side A	Side B	Meter #
1	X		3700-4542
2-15-99 1	X		1700-2047
Committee Clerk Signature <i>Kathryn C. Kottenlecker</i>			

Minutes:

**SENATOR NETHING:** Opened the hearing on SB2277; A BILL FOR AN ACT TO CREATE AND ENACT A NEW SECTION TO CHAPTER 57-39.2 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO A SALES AND USE TAX EXEMPTION FOR CERTAIN BUILDING MATERIALS USED IN ECONOMICALLY DISADVANTAGED CITIES; AND TO PROVIDE AN EFFECTIVE DATE.

**KEN KROEPLIN:** State Senator from District 23 to testify in support of SB2277( tape 1, side A, meter 3700-3940). Tax exemption in economically disadvantaged cities, if; a new commercial building has not been constructed within the city in the two immediately preceding calendar years; a new residential building has not been constructed within the city in each of the two immediately preceding calendar years; or the city's only public school is closed. Any one of those qualifies a city. It provides exemption of state sales tax, in the hope of encouraging people to locate into those communities and possibly slowdown the out migration we have been having. As I walk around my district, there isn't going to be anymore people to migrate to our larger cities if, we don't do something to keep them back out into the rural communities. I hope you give this bill a do pass recommendation.

**SENATOR TALLACKSON:** Do you have any towns that you have in mind that may qualify for this?

**KEN KROEPLIN:** I would guess just about all the smaller communities.

**SENATOR ANDRIST:** Does the community become economically disadvantaged if, all of; a, b, and c are in place or if any of them are?

**KEN KROEPLIN:** Either of the three was the intent. That may not be clear enough in the bill.

**SENATOR KRINGSTAD:** Residential Commercial building materials. Will they reduce that cost to the people that there purchasing the materials?

**KEN KROEPLIN:** I would hope they would. On the back side of the bill, #5 explains a little bit about that. If you don't apply ahead of time, you can apply afterwards.

**SENATOR BOWMAN:** In the area I represent, the biggest problem is that they probably won't buy the building materials in the small community. To be competitive, they go elsewhere to buy the material. That's one reason our small communities are getting smaller. This bill has nothing in it to stop them from going somewhere else to get a better deal and saving their taxes besides.

**KEN KROEPLIN:** I don't see that particularly as a problem. In a lot of the smaller communities there are no lumber yards and they have to go elsewhere to buy it. I do believe in my personal experience, we built a house some number of years ago and the smaller community, on a large project, their quote was competitive and I bought my materials locally.

**SENATOR TALLACKSON:** Wherever they pay the sales tax, it still is a reduction on the material.

**SENATOR NETHING:** Closed the hearing on SB2277.

=====  
**2/15/99**

**SENATOR NETHING:** Reopened the hearing on SB2277.

**SENATOR NETHING:** Called for the motion on SB2277.

**SENATOR HOLMBERG:** Moved a Do Not Pass on SB2277.

**SENATOR NAADEN:** Seconded the motion.

**ROLL CALL: 9 YEAS; 5 NAYS; 0 ABSENT & NOT VOTING.**

Yeas: Nething; Naaden; Solberg; St. Aubyn; Grindberg; Holmberg; Kringstad; Bowman; Andrist.

Nays: Lindaas; Tallackson; Tomac; Robinson; Tomac.

**CARRIER: SENATOR HOLMBERG.**

**SENATOR NETHING:** Closed the hearing on SB2277.

Date: 2-15-99  
Roll Call Vote #: \_\_\_\_\_

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2277

Senate APPROPRIATIONS Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By SENATOR HOLMBERG Seconded By SENATOR NAADEN

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas		✓			
Senator Tallackson		✓			
Senator Tomac		✓			
Senator Robinson		✓			
Senator Krauter		✓			
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist	✓				

Total (Yes) 9 No 5

Absent 0

Floor Assignment SENATOR HOLMBERG

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

REPORT OF STANDING COMMITTEE (410)  
February 15, 1999 11:27 a.m.

Module No: SR-30-2968  
Carrier: Holmberg  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2277: Appropriations Committee (Sen. Nething, Chairman)** recommends **DO NOT PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). SB 2277 was placed on the Eleventh order on the calendar.

1999 HOUSE FINANCE AND TAXATION

SB 2277

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2277

House Finance and Taxation Committee

Conference Committee

Hearing Date March 8, 1999

Tape Number	Side A	Side B	Meter #
1	✓		7.8
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. BELTER Opened the hearing.

SEN. KEN KROEPLIN, DIST 23, Introduced the bill. The bill attempts to find economically disadvantaged cities, which would be a city where the school has closed. The Senate amendments to the bill separated commercial buildings from residential buildings. You can be commercially disadvantaged and residentially disadvantaged. If you haven't had any houses built in the previous two years, your exemption would be for houses. If you haven't had a new business within the previous five years, you could use this for commercial buildings. We need to do something in the rural communities to spark economic growth.

REP. BELTER You are economically disadvantaged if you haven't had a new home in two years

SEN. KROEPLIN In each of the previous two years. If you build one one year, and you don't build one the next year, you are still economically disadvantaged. Some of these smaller towns haven't had any new houses built for twenty years.

REP. CLARK You said a residence or building, if it was constructed in year one, but not in year two, then the sales tax exemption would be gone for that city?

SEN. KROEPLIN Referred to page 2, line 8, if a new residential building has not been constructed in either of the two immediate preceding years. If a house is built in one year, you would still be eligible, you would have to build one in each year before you would lose your eligibility.

REP. CLARK It seems to me the language is a little loose. In either of the two does not mean consecutive years, I think it is a potential flaw with this legislation. If I lived in a rural community and I just built a home in year one, because I decided to build a new home there, then that community would be exempt from any other sales tax exemption?

SEN. KROEPLIN If there is a flaw in it, I would appreciate you cleaning it up.

REP. RENNERFELDT There is no limit as to the size of the city?

SEN. KROEPLIN There is no limit, but I would guess, in most of the larger cities, there has been economic activity.

REP. RENNERFELDT Related to the city of Williston in the 80's, they went through a period of eight to ten years with no new homes being constructed or commercial buildings.

SEN. KROEPLIN I guess I wasn't aware of Williston's situation, that could be the conclusion you could come to. If there hasn't been any activity in Williston for eight to ten years, maybe they deserve a little bit of spark.

REP. RENNERFELDT Wouldn't that make a difference on the fiscal note, it would maybe much larger?

SEN. KROEPLIN If you would like to propose an amendment to limit the size of the city, I would go along with that.

REP. KROEBER This is just on building materials?

SEN. KROEPLIN That would be correct.

REP. KROEBER With that in mind, doesn't this fiscal note seem a little high, in cities where there hasn't been anything going on at all?

SEN. KROEBER The fiscal note was higher on the original version of the bill, I am not sure why. In the engrossed version, we took out grain elevators and fuel tanks and such.

REP. BELTER Asked if he gave any thought to a small town where there was a home recently built, wouldn't that be a deterrent for people, they might stall their building until two years have gone by before they make a decision to build their home so they can have the sales tax exemption. The way I read this bill, if a home was built in either of the two years, you would probably hold off your building plans until your home was eligible for the exemption.

SEN. KROEPLIN I suspect that could happen. Regardless of that, if we get people to replace the ones that are outdated, we are accomplishing what the bill is set out to do.

REP. BELTER If you have the small towns where no construction is taking place and no longer have a school, or no possibilities that they will have a school, is it good public policy for us to encourage people, along with that building comes the infrastructure of getting water into a home, where it is not cost efficient for phone service and electrical service, all those infrastructure

things that come along. I question the wisdom of encouraging development in an area where there are no schools and no job offers.

SEN. KROEPLIN What comes to mind is rural Cass County, Arthur, Hunter, Gardner, Grandin. They built a new school between all of those communities. They have had enough faith of spend about eight million dollars to build a new school between those four communities. I think promoting some housing in those communities would be a real benefit. In that case, they are close enough to Fargo where people can drive there to work and maybe get a good business to relocate, people would drive out from Fargo.

REP. SCHMIDT If the school building closes, that is the only place they can use this.

SEN KROEPLIN The intent of the bill is if the city's only public school closed. That city is economically disadvantaged.

REP. SCHMIDT Where you referred to Cass County where they just built a new school, this wouldn't apply would it?

SEN. KROEPLIN Yes, it would. They closed the schools in Arthur, Hunter, Grandin and Gardner. They consolidated because they built the new school.

REP. GRANDE Aren't the cities themselves doing anything to address this. In my town the city itself encourages building for exemptions. Are we doing both types of exemptions then?

SEN KROEPLIN I think the city can still do exemptions if they choose to.

REP. CLARK There was a rural housing bill which was passed, if that passed, I could see a lot more construction in the rural areas through that rural housing bill. I don't know that one residence being built in a community, would make it economically advantaged.

Would you be opposed to just having it for commercial buildings, that's where the jobs would be created.

SEN. KROEPLIN Houses will too, and it keeps people living there. I know some communities where there are jobs, but there is no incentive to build a house there, because as soon as you build it, it is worth less than what it cost to build it.

REP. HERBEL What kind of impact would this be if it would be a bedroom community, where there is lots of expansion such as eight miles out of Fargo or Grand Forks?

SEN KROEPLIN That has crossed my mind. Houses are being built there, so they couldn't qualify for houses, but they could possibly qualify for commercial.

RUTH STEFONOWICZ, NORTH DAKOTA EDUCATION ASSOCIATION Testified in opposition of the bill. My opposition is not based on this bill, but on tax deductions which could take away from education.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 3-8-99, Tape #1, Side B, Meter 38.8

During discussion, Rep. Warner stated he had signed on to the bill, but would not support it.

He stated he liked a bill that had passed earlier regarding this. The bill will be acted on at a later date.

COMMITTEE ACTION 3-10-99, Tape #1, Side A, Meter #4.2

REP. WARNER Made a motion to adopt amendments which were presented.

REP. WINRICH Second the motion. MOTION FAILED BY VOICE VOTE.

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

REP. RENNERFELDT Second the motion. MOTION FAILED, with a 6 to 6 vote.

Later in the day....

3-10-99, Tape #1, Side A, Meter #9.1

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

REP. GRANDE Second the motion. MOTION CARRIED.

8 Yes 7 No 1 Absent

REP. RENNERFELDT Was given the floor assignment.

Please type or use black pen to complete

Date 3-10-99

Roll call vote # 1

### 1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. SB 2277

House HOUSE FINANCE & TAX Committee

- Subcommittee on \_\_\_\_\_
  - Conference Committee
- } Identify or check where appropriate

Legislative Council Amendment Number \_\_\_\_\_

Action Taken D N P

Motion Made By Rep. Seconded By Rep.

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

Total 6 6  
(Yes) (No)

Absent 3

Floor Assignment Rep.

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

DO NOT USE HIGHLIGHTER ON ANY FORMS

Please type or use black pen to complete

Date 3-10-99  
Roll call vote # 2

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. SB 2277

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. Mickelson Seconded By Rep. Grande

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

Total 8 6  
(Yes) (No)

Absent 1  
Floor Assignment Rep. Rennerfeldt

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

DO NOT USE HIGHLIGHTER ON ANY FORMS

REPORT OF STANDING COMMITTEE (410)  
March 10, 1999 1:24 p.m.

Module No: HR-43-4451  
Carrier: Rennerfeldt  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

SB 2277, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO NOT PASS** (8 YEAS, 6 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2277 was placed on the Fourteenth order on the calendar.