

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1041

2001 HOUSE FINANCE AND TAXATION

HB 1041

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1041

House Finance and Taxation Committee

Conference Committee

Hearing Date January 16, 2001

Tape Number	Side A	Side B	Meter #
1	x	x	4011 ONLY PARTIALLY RECORDED
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing.

LIEUTENANT GOVERNOR, JACK DALRYMPLE, Gave comments regarding the bill.

He stated the Governor feels the state of North Dakota would be well served to have a bill for investment tax credit. It would be a benefit to get North Dakota investors to work locally instead of stocks, and shares, etc., in other areas. Seed capital is the beginning for other investments. He felt there would need to be some language added in order to work with the short form tax return. He stated they had some language prepared which would take care of that.

REP. RICK BERG, DIST. 45, Testified in support of the bill. He stated the bill has been on the books since 1993, and no one has used it. This tax credit is given to someone who will start a new business. He presented amendments to the committee for the bill.

Page 2

House Finance and Taxation Committee

Bill/Resolution Number HB 1041

Hearing Date January 16, 2001

JENNIFER CLARK, LEGISLATIVE COUNCIL Gave an explanation of the bill. She gave an explanation of all of the changes which were made to the bill. She stated this bill has not been used, so no track record is available.

CAROL TWO EAGLES, REPRESENTING GRASS ROOTS PEOPLE'S DEVELOPMENT Testified in support of the bill. She said we should support anything that encourages small businesses. She believes in the Mom and Pop type businesses.

STEVE EGELAND, ECONOMIC DEVELOPMENT ASSN. OF NORTH DAKOTA

Testified in support of the bill. See attached written testimony.

REP. CARLSON Stated, by making this simpler, it will be more user friendly

STEVE EGELAND Yes, we need to make this law more visible.

REP. WINRICH Related to page 2, line 13, regarding the lower threshold, he asked if it would have a negative impact.

STEVE EGELAND You could work with a ten thousand dollar investment or a five thousand dollar investment. He stated his dealings were with five hundred thousand dollar businesses.

DALE ANDERSON, GREATER NORTH DAKOTA ASSOCIATION, Testified in support of the bill.

BILL BUTCHER, NFIB, Testified in support of the bill. See written testimony.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-7-01, Tape #1, Side B, Meter #5522

Committee members discussed HB 1041, HB 1291, and HB 1413. These bills were all relating to seed capital investment tax credits on the short form. Committee members were discussing amending one bill to include some of the other bills.

REP. HERBEL Made a motion for a **DO NOT PASS**.

REP. RENNER Second the motion. **MOTION CARRIED**

15 YES 0 NO 0 ABSENT

REP. KELSH Was given the floor assignment.

FISCAL NOTE
 Requested by Legislative Council
 12/14/2000

Bill/Resolution No.: HB 1041

Amendment to:

1A. 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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Section 1 of HB 1041 allows the seed capital investment tax credit to be claimed on the short form, Form 37-S. This credit is currently available on the long form only. There is no information available to determine to what degree the credit will be utilized on the short form and/or the potential fiscal impact.

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	01/12/2001

Date: 2-7-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1041

House FINANCE & TAXATION Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Herbel Seconded By Rep. Renner

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 15 No 0

Absent 0

Floor Assignment Rep. Kelsh

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

REPORT OF STANDING COMMITTEE (410)
February 8, 2001 8:47 a.m.

Module No: HR-23-2673
Carrier: S. Keish
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

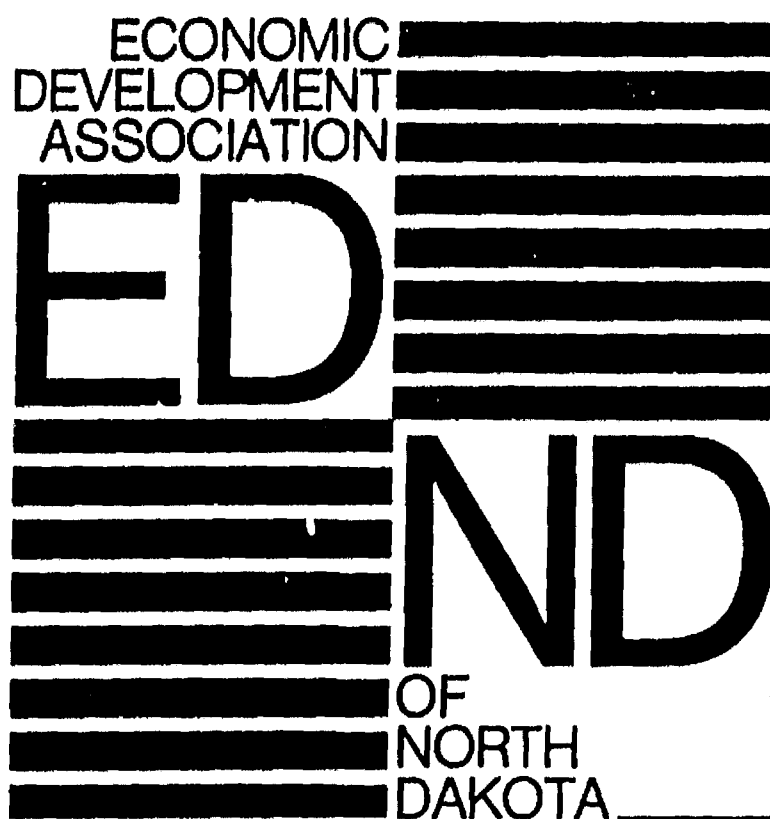
HB 1041: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO NOT PASS (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1041 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

HB 1041

Steve Berglund
11/8/2000

*E*CONOMIC *D*EVELOPMENT ASSOCIATION OF *N*ORTH *D*AKOTA



"VISION FOR THE NEW MILLENNIUM"

January, 2001

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA

"EDND'S VISION FOR THE NEW MILLENNIUM"

Goal #1 - 25,000 new primary sector jobs will be created in ND between 2000 and 2005

Goal #2 - ND's per capita income will be at least 93% of the national average by 2005

To achieve these goals, a clear definition of economic development must be understood. Economic development is a process - not an event - where public policy and the free enterprise intersect to generate "Primary Sector" growth that creates better jobs and personal wealth creation resulting in a higher standard of living for every member of the State.

The new millennium is bringing new economic development trends which the State of North Dakota needs to recognize and adjust to in order to capitalize on existing and future economic opportunities. These trends include:

- Globalization
- Technology & Telecommunications
- Regionalism
- Sustainable Development & Financial Commitment
- Workforce Development

The purpose of the Economic Development Association of North Dakota (EDND) vision is to develop a realistic approach for EDND, the State Legislature and the citizens of North Dakota to follow for understanding and promoting a positive economic future for the State. The following are specific issues that EDND recommends the State of North Dakota address and incorporate into a solid and comprehensive legislative strategy and vision for North Dakota.

1.) **Establish a North Dakota Department of Commerce structure.** State agencies who play a particularly active role in promoting economic development in North Dakota would come together under the umbrella of one public/private agency allowing them to function together with a shared strategic plan maximizing each others strengths. This issue is currently being explored by the Interim Commerce & Labor Committee. Agencies to be considered for inclusion in the Department of Commerce would include:

- ND Department of Economic Development & Finance
- ND Tourism Department
- ND Department of Community Services
- ND Labor Department
- ND Workforce Development Council

2.) Economic Development finance and incentive programs. The State of North Dakota must continue to provide finance and incentive programs to support future business start-up, expansion and recruitment projects. The following are existing programs the EDND supports remaining intact and funded at the suggested levels.

- ND PACE - Leave the program as is presently structured -- \$6,600,000
- AG-PACE - Leave the program as is presently structured -- \$1,500,000
- North Dakota Development Fund - Keep the program in place while keeping the regional rural development portion of the fund in place -- \$5,000,000
- Community Development Block Grant Program - Leave the program as is presently structured.
- Renaissance Zones - Recommend the following enhancements to the program.
 - Increase the tax credits available for Renaissance Venture Corporations and additional \$2,500,000
 - Allow the income and property tax exemption for renovation of currently owned residential property if it meets the minimum criteria.
- Corporate Income Exemptions - Leave the program as is presently structured
- Property Tax Exemptions - Leave the program as is presently structured
- Sales & Use Tax Exemptions on Manufacturing & Processing Equipment
 - Maintain the program as is presently structured to provide the exemption for primary sector manufacturing and processing companies. Recommend expanding the exemption to be applied to primary sector information processing companies as well. Such companies make up one of North Dakota's primary targeted industries and the State of North Dakota is not affording these businesses an equal opportunity to benefit from the Sales & Use Tax Exemption on Manufacturing & Processing Equipment as it is presently structured. Recommend that the exemption be expanded to be applicable to equipment within North Dakota based primary sector information processing companies. This equipment would include phone switches, WAN & LAN equipment, PBX equipment, servers, storage equipment, etc. It would not include desktop hardware and/or peripherals.

In order to attract and develop new companies that will compete in today's changing economy, new programs need to be established. Such programs would include:

- Investment Capital Fund - Recommend the establishment of a public/private risk investment fund aimed at providing start-up capital for entrepreneurial business. Targeted at e-commerce, information technology, and advanced technology companies.

