

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1334

2001 HOUSE FINANCE AND TAXATION

HB 1334

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1334

House Finance and Taxation Committee

Conference Committee

Hearing Date January 22, 2001

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|---------|
| 1 | | X | 3,344 |
| | | | |
| | | | |
| Committee Clerk Signature <i>Ganice Stein</i> | | | |

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing.

REP. FRANK KLEIN, Introduced the bill. See attached written testimony together with a copy of farm handouts and tax guides.

MARK SITZ, FARMER AND A LOBBYIST FOR THE NORTH DAKOTA FARMERS

UNION, Testified in support of the bill stating this organization has long been supporters of this exemption in the bill. This bill would help farmers and our members.

REP. CARLSON What do you see as the affect this would have on counties, cities and school district?

MARK SITZ Specifically, I couldn't give you exact numbers. I wouldn't think it would be that much because of the situation the bill speaks to, changing it from net to gross.

Page 2

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REP. CARLSON How many farms is this affecting, where over the years, they have had more income off the farm than on the farm, I am assuming then that the farm will no longer be tax exempt.

MARK SITZ Through the last few sessions, there were some revisions to the law as to how many years the off farm exceeded the net farm income, the legislature added one out of every three years, if that happened. There were some safeguards put in place to protect that very situation. This bill speaks to that situation.

REP. CARLSON Asked Rep. Klein if he had anything to add to the questions which were asked.

REP. KLEIN Relating to the affects to the counties, most of the time, the counties shouldn't have collected this money in the first place. This was legitimate farm land, and they were coming out and assessing it the other way.

REP. CARLSON The benefactors of these tax dollars are the counties, the schools, and the areas at this very time, are telling us that they are short of money. We have to look at that side of it as well.

REP. WINRICH You mentioned in your testimony, the revision of the forty thousand dollar limit to fifty thousand dollars. It states the fifty thousand dollar limit would be adjusted each year to the price index, that won't stay at fifty thousand, it will increase every year.

REP. KLEIN That is true, the reason I put that in there is because, people keep coming every other year and raise it, if we put the consumer price index in, it will take care of everybody coming in here. The other way around this whole thing, is to drop the IRS regulations and

Page 3

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Schedule F. If you file Schedule F, it takes care of the income part of it, and the whole nine yards.

REP. WINRICH Felt it was not clear in the bill, which consumer price index was going to be used. Do you mean the national one computed by the Bureau of Labor Statistics, or the Consumer Price Index for North Dakota?

REP. KLEIN We talked about that and he did relate it would probably be the one that comes out of the school.

REP. CARLSON Stated he didn't remember if in other parts of the code that they actually say the state consumer index or the federal one.

PATTY LEWIS, NORTH DAKOTA FARM BUREAU, Testified in support of the bill.

Stating it doesn't take a whole lot of spousal income to get you out of that farm exempt status.

GARY EMTER, DIRECTOR OF TAX EQUALIZATION, MERCER, COUNTY,

Testified in opposition of the bill. He stated he had a simple suggestion, pass a bill that says all residential property outside of city limits or rural subdivisions are exempt. Because if this bill passes here today, that is what will happen.

DENNIS BROCKMAN, BURLEIGH COUNTY ASSESSOR Testified in opposition of the bill. In Burleigh County, outside of a subdivision, you have to have forty acres to build a residential home. On some of these forty acre tracts, I have pole barns and people raising livestock. They are filling out a Schedule F, and they really aren't true farmers. If you put this in to fill out a Schedule F to be exempt, I would lose quite a few residential homes that need to be on the tax rolls.

Page 4

House Finance and Taxation Committee

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REP. CARLSON What effect would moving from the net income to the gross income have on those forty acre plots?

DENNIS BROCKMAN I don't think I would lose a lot of homes, moving to gross income.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-6-01 TAPE #1, SIDE B, METER # 4500

REP. CARLSON Reviewed the bill.

REP. RENNER Reviewed the last three sessions with committee members as to what some of the legislation was in relation to this bill.

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

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

14 YES 0 NO 1 ABSENT

REP. BRANDENBURG Was given the floor assignment.

FISCAL NOTE STATEMENT

House Bill or Resolution No. 1334

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

John Walstad
Code Revisor

Date: 2-6-01
 Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1334

House FINANCE & TAXATION Committee

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Brandenburg Seconded By Rep. Rennerfeldt

| 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 | ✓ | | | | |
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Total (Yes) 14 No 0

Absent 1

Floor Assignment Rep. Brandenburg

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

REPORT OF STANDING COMMITTEE (410)
February 7, 2001 8:18 a.m.

Module No: HR-22-2550
Carrier: Brandenburg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1334: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO NOT PASS (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1334 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

HB 1334



NORTH DAKOTA HOUSE OF REPRESENTATIVES



Representative Frank Klein
District 36
4840 104th Avenue SW
Dickinson, ND 58601

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360

COMMITTEES:
Human Services
Natural Resources

TESTIMONY ON HB 1334 PREPARED BY REPRESENTATIVE FRANK KLEIN

CHAIRMAN CARLSON AND MEMBERS OF THE COMMITTEE.

I AM REPRESENTATIVE FRANK KLEIN. I AM AN UNPAID LOBBYIST
FOR THOSE INDIVIDUALS WHO WANT TO SURVIVE ON THE FARM.

IMAGINE MY SURPRISE (AND THAT OF MY NEIGHBORS AND
CONSTITUENTS) THAT THE MAJORITY OF US NO LONGER MEET THE
DEFINITION OF A FARMER!

I AM HERE TODAY TO TESTIFY FOR HB 1334, WHICH RELATES TO THE
FARM RESIDENCE EXEMPTION. DURING MY RESEARCH, I HAVE
DISCOVERED THAT THIS ISSUE HAS SURFACED REGULARLY OVER
THE YEARS. I WANT TO TESTIFY ON BEHALF OF THE FARM COUPLES
WHO, BECAUSE OF LOW COMMODITY PRICES AND HIGH INPUT
COSTS, HAVE BEEN FORCED TO GET OFF-FARM JOBS. THEY NEED

THOSE JOBS TO KEEP THEIR FARMING OPERATION INTACT, AND WE CANNOT AFFORD TO LOSE ANY MORE FARMERS!

THIS BILL CHANGES THE NET FARM INCOME TO GROSS INCOME. THIS BILL WAS WRITTEN YEARS AGO WHEN MOST FARMS DID NOT HAVE OFF-FARM INCOME. AGAIN, DUE TO THE HIGH INPUT COSTS, A JOB OFF-FARM MAY EASILY EXCEED NET FARM INCOME AND NEGATE THE 50% EXEMPTION. I WOULD LIKE TO SEE AN AMENDMENT TO THE \$40,000 LIMIT. THE DOLLAR AMOUNT COULD BE INCREASED TO \$50,000 BECAUSE BOTH SPOUSES ARE WORKING WITH THE IDEA OF SURVIVING IN THE FARMING OPERATION. THE FIGURE OF \$50,000 MAY SEEM HIGH, BUT WHEN YOU CONSIDER MOST HAVE TO DRIVE MANY MILES, WITH TWO SEPARATE VEHICLES BECAUSE OF DIFFERENT WORKING HOURS, I FEEL THIS IS A REASONABLE AMOUNT. THE DOLLAR AMOUNT COULD EVEN BE REMOVED. THE U.S. GOVERNMENT ALREADY KNOWS WHO IS A FARMER.

ACCORDING TO THE INTERNAL REVENUE SERVICE, "YOU ARE IN THE BUSINESS OF FARMING IF YOU CULTIVATE, OPERATE, OR MANAGE A FARM FOR PROFIT, EITHER AS OWNER OR TENANT. A FARM

INCLUDES STOCK, DAIRY, POULTRY, FISH, FRUIT, AND TRUCK FARMS. IT ALSO INCLUDES PLANTATIONS, RANCHER, RANGES, AND ORCHARDS." THIS IS FOUND IN THE PREFACE TO PUBLICATION 225 FARMER'S TAX GUIDE.

THE U.S. DEPARTMENT OF EDUCATION ALSO DIFFERENTIATES BETWEEN THE *FAMILY FARM* AND AN *INVESTMENT FARM*. ACCORDING TO THE FREE APPLICATION FOR FEDERAL STUDENT AID (FAFSA), THE VALUE OF A FAMILY FARM IS NOT CONSIDERED WHEN A STUDENT APPLIES FOR FINANCIAL AID. THE FAFSA SPECIFIES, "DO NOT INCLUDE A FARM THAT YOUR PARENTS LIVE ON AND OPERATE." IF THE PARENTS LIVE ON THE FARM, FILE A SCHEDULE F AND CHECK "YES" TO THE QUESTION, "DID YOU *MATERIALLY PARTICIPATE* IN THE OPERATION OF THIS BUSINESS DURING 200_?"

THE INTERNAL REVENUE SERVICE AND THE U.S. DEPARTMENT OF EDUCATION SEEM TO KNOW HOW TO DEFINE A TRUE FARMER. WHY DO WE, IN NORTH DAKOTA, HAVE SO MUCH DIFFICULTY? THE LEGITIMATE FARMERS ARE ALREADY PAYING LAND TAXES OF

\$350-\$600 PER QUARTER, WHICH IS \$1,400 UP TO \$5,000 IN LAND TAXES. THEY ARE PAYING THEIR FAIR SHARE.

ATTACHED IS AN ARTICLE FROM THE BISMARCK TRIBUNE ABOUT A TOUGH YEAR AHEAD FOR FARMERS. I BELIEVE THIS BILL WOULD LEGITIMIZE WHO THE FARMERS ARE AND EXEMPLIFY THE INTENT OF THE ORIGINAL LEGISLATION. I URGE YOUR SUPPORT ON HB 1334 FOR THE FAMILY FARMER.

AS A FISCAL NOTE, THERE WOULD BE NO IMPACT TO THE STATE GENERAL FUND.

