

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1345

2001 HOUSE FINANCE AND TAXATION

HB 1345

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1345

House Finance and Taxation Committee

Conference Committee

Hearing Date January 29, 2001

Tape Number	Side A	Side B	Meter #
1		X	450
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN, Opened the hearing and read the fiscal note.

REP. MIKE BRANDENBURG, Introduced the bill as the prime sponsor. Related to harmonization issues and trade issues. Crop harmonization was formed last session which dealt with harmonization of different crop protection issues. I have learned that the chemical companies not only work with chemicals but also with drugs. Right now, currently, the Canadians are receiving refunds on the sales tax they pay, which comes to a half a million dollars, and I find this absolutely appalling. When you think about it, right now, we have a tariff on corn with the Canadians of \$1.58, and we are giving them a refund on their sales tax. These issues need to be resolved. When NAPTHA came about, we are trying to work together in the spirit of NAPTHA and the North American Free Trade Agreement, you find that that spirit has not been working on both sides of the border. The Canadian government is standing behind their provinces and allowing them to impose \$1.58 on their corn, and we sit down here and give them

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a refund on their sales tax. I am asking that this money be put into the crop harmonization committee so that they can keep working on the harmonization issues, which could be millions of dollars to the farmers of North Dakota. This is basically, what the bill allows.

REP. HERBEL How much of a refund do the Canadians give back to us?

REP. BRANDENBURG Deferred to Rep. Froseth,

REP. GLEN FROSETH, DIST. 6, KENMORE, Testified in support of the bill. See attached written testimony. Replied to Rep. Herbel's question, stated we have an agreement with Canada, that if we apply for the taxes we spend there, we can have them refunded, that is the seven percent GSA tax they charge.

REP. SCHMIDT Do you know if that percentage is the same on anything you buy?

REP. FROSETH I believe it is, but I am not sure. I was hoping there would be someone here from the tax department to answer that. It is the amount of sales tax they pay in the United States, they can file an application and have that refunded.

REP. SCHMIDT I was thinking of the implement companies in Maddock, sixty percent of the equipment goes to Canada, does this effect the sales to Canada?

REP. FROSETH I believe that is handled differently. This sales tax revenue is only the amount of money that Canadian shoppers pay us in sales tax, and they have to file a refund application form and submit a copy of the sales slips to confirm this. We do the same if we go to Canada, we pay that seven percent GSA tax, and if we ask for the form, we can apply to have that refunded. I have done that on several occasions. Right now the incentive for Canadians to purchase in North Dakota, with the exchange rate and the Canadian dollar, and the tax the state has imposed on themselves, plus duties they pay, it makes it impractical for them to come to the

United States to shop. That is why the tax collections in North Dakota from the Canadian refunds have dropped from several million, I believe, two sessions ago, we visited this same issue, I think the amount we were talking about then was three or four million dollars of revenue that we would return back to Canada, now it is down to one half million.

REP. CARLSON Asked Rep. Schmidt to check with the Tax Department on how that is collected and if that would effect any of our ag manufacturing.

REP. DROYDAL I heard a number of comments, concerning the Canadian government putting a tax on purchases like Canadians going back across, why don't we do the same thing, instead of this, which in a way, penalizes our local merchants and makes it less attractive to North Dakota merchants to do business. Why don't we take the same philosophy as the Canadian government, and say, North Dakotans going to Canada, making a purchase, then coming back and charge the seven percent tax?

REP. FROSETH That is entirely possible, if North Dakota would choose to do that. I think our history with Canadian shopping over the past years, we have tried to encourage the Canadian dollar to come down. A few years back, I live on Highway 52, which is one of the main routes through Portal down to Minot and Bismarck, and bus load after bus load of shoppers would come down once a week to the malls. Those buses have stopped running, there is very few incentives any more, to come to the United States to shop with the value of the Canadian dollar being about sixty five cents and the new tax that they have imposed on themselves.

REP. CARLSON If you can get that by the majority leader Belter, you can get that introduced.

REP. KROEBER In your testimony, you talked about this would give the legislative council the authority to use this money to provide grants to agriculture commodity groups, do we have any other place where this is done?

REP. FROSETH I am not sure, that is the provision which is in this bill. Apparently, if this bill passes, it will give the legislative council the authority to do this.

REP. CARLSON I believe this is all new ground here. Usually the appropriating of money is not set aside to the council or to a particular committee like that.

He asked Rep. Brandenburg to research that for the committee.

This bill appears to do two separate things. I know you were seeking a revenue source to study this, and very conveniently, it is about the same amount of money as repealing that tax, but it is two totally philosophical issues. One of them being, do you tax the non-resident, or non-country member coming in, or do you not, and the second issue is, how do we deal with the harmonization of chemicals. We have taken two great big things and stuck them in one pot.

REP. BRANDENBURG That is probably a good way to look at it, but I want to tell you, the farmers that are out there and dealing along the border with this harmonization issue, they find they cannot believe it, that Canada is bringing grain into the United States, which is using chemicals we cannot use, which are cheaper, and their federal government is allowing the Canadians to impose a \$1.58 tariff on corn going into Canada. I know a number of farmers hauling corn into Canada, cannot haul corn in to Canada anymore on a profitable level.

REP. RENNERFELDT We can buy certain types of merchandise in Canada and get a refund on tax, especially farmers along the border. I would assume if we end that here, they would do the same thing.

REP. BRANDENBURG I agree with you completely. For every action, there is a reaction.

That is what we are doing, they put a tariff on us, so we are looking at taking away their refund.

It boils down to our federal government, we need to have attention brought to this. It will probably hurt somebody, but it will help somebody else by working through the harmonization issue.

BOB LAMP, NORTH DAKOTA IMPLEMENT DEALERS ASSOCIATION, Testified in support of only one section of the bill, and that is the repeal of the Canadian sales tax refund.

This Canadian tax refund has a very long history in the state legislature. I have been representing the implement dealers on Capital hill since 1979, and I don't think there have many sessions, if any, where this bill has not been presented for consideration. In all of those cases, we stood in opposition to that type of legislation. I think it is fair to say that today's bill has much less impact on our dealers than it did in previous sessions and it only really affects certain number of our dealers and that is those along the Canadian border. It has less impact because of a couple of things, Rep. Froseth mentioned the exchange rate, certainly that has a big part to do with why we see this drop in trade from Canada, and the second one is, we just don't have very many dealers along the border anymore. We live in a global world and we face situations in Canada where those provinces do not impose a tax on their farm machinery repair parts. In North Dakota, we do impose a one and a half percent. If a dealer delivers that product into the province, they don't have to collect the sales tax. If that product is picked up in North Dakota, then they must impose that sales tax, and the Canadian customer would have to request a refund. The problem comes, when you talk about repair work. If you bring a Canadian unit in and repair it, you have to

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charge that sales tax. He stated that if the committee passes HB 1052, this bill will become a moot point for the dealers.

GARY ANDERSON, STATE TAX DEPARTMENT, Testified in a neutral position. He responded to a few questions relating to the tax. Regarding the Canadian refund program, if Canadians come in at the present time, as long as they make a purchase of at least twenty five dollars of taxable goods, they can ask for a refund of tax, once they have a total tax refund amount of fifteen dollars. They have one year in which to claim that refund. We are certainly not experts on how Canada enforces their rebate program, but the goods and services tax, my understanding is, seven percent. My understanding, the way it works up there, is that United States residents would have to purchase at least two hundred dollars of taxable goods in that country, and the minimum purchase would have to be fifty dollars, and they have one year in which to request a refund of that. It is my understanding that in Manitoba, for example, they used to apply a visit or rebate program for the provincial sales taxes, but I believe, Manitoba, effective March 31, last year, discontinued that program. Many of the other provinces have discontinued that as well.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-30-01, tape #2, Side B, Meter #3400

Discussion was held regarding the Canadian refunds and exemptions.

REP. RENNERTFELDT Stated he would like to check with his community regarding the exemptions. He felt the exemptions and refunds to Canadians brought business to his community. The bill will be acted on at a later date.

COMMITTEE ACTION 2-5-01, Tape #2, Side B, Meter #800

REP. BRANDENBURG Presented some amendments which were prepared by the legislative council. The amendments were not adopted.

REP. RENNERFELDT Stated taking away the Canadian refund would definitely take business away from people in Williston. The businesses in his area feel the refund brings the Canadians to their area.

REP. DROVDAL Made a motion for a **do not pass**.

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

8 YES 6 NO 1 ABSENT

REP. DROVDAL Was given the floor assignment.

COMMITTEE ACTION 2-12-01 TAPE #2, SIDE A, METER #2320

The bill was rereferred back to the committee for amendments to be added.

Prepared amendments were presented to committee members, the amendments change the fifty dollar exemption to Canadians, to, they will have to purchase one hundred fifty dollars in order to qualify for an exemption.

REP. NICHOLAS Made a motion to adopt the amendments has presented.

REP. BRANDENBURG Second the motion. **MOTION CARRIED BY ROLL CALL**

VOTE. 8 YES 6 NO 1 ABSENT

REP. NICHOLAS Made a motion for a **DO PASS AS AMENDED.**

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

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REP. CARLSON Decided to hold the bill for action at a later date.

COMMITTEE ACTION 2-13-01, TAPE #1, SIDE A, METER #4843

REP. BRANDENBURG Made a motion for a **DO PASS AS AMENDED.**

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

8 yes 7 no 0 absent

REP. BRANDENBURG Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council
02/15/2001

Bill/Resolution No.:

Amendment to: HB 1345

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			\$1,509,000	\$131,000		
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.*

HB 1345 First Engrossment removes the sales tax refund provisions for Canadian residents and changes the purchase amount required for the sales tax exemption for Montana residents.

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.*

HB 1345 First Engrossment is expected to increase state general fund and state aid distribution fund revenues by \$1,640,000 during the 01-03 biennium.

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
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Phone Number: 328-3402

Date Prepared: 02/16/2001

