

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

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ROLL NUMBER

DESCRIPTION

1382

2001 HOUSE FINANCE AND TAXATION

HB 1382

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1382

House Finance and Taxation Committee

Conference Committee

Hearing Date January 29, 2001

Tape Number	Side A	Side B	Meter #
1	X		89
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

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

REP. MERLE BOUCHER, DIST. 9, Introduced the bill. See attached written testimony.

He gave a synopsis relating to the national average of out of pocket expenses on prescription drugs overall, for the total population is a per capita of \$258.84 per person. For folks over age 65, this is \$564.40, and for citizens over age 75, the amount is \$605.49. This is above and beyond what insurances cover and what medicare and medicaid cover in many respects.

We have a very large medicaid budget in the state of North Dakota. When you look at the cost of medicaid, the medicaid budget consumes, roughly, twenty five percent of the state budget, if I am not mistaken. It is over half of the Human Services budget. This is an issue that needs debate or discussion. He related to a meeting he attended in New Orleans with a group called the Milbank Foundation. He stated he had a very interesting discussion regarding prescription drugs and what is happening throughout the United States. Many people said, what are you doing regarding the

medicaid costs. What are your citizens doing as it impacts their disposable income? When it came to me I said what was happening in North Dakota and how North Dakotans were dealing with it. I know a lot of North Dakotans can't deal with it in this fashion, but I said, it is very simple, we just go to Canada. It brought a lot of discussion to the table. I told them the prescription drugs were several dollars cheaper in Canada. When we take a look at the whole prescription drug issue, it is more than a tax credit. I support the concept of this bill.

We have spent much too long accepting the rise in prescription drugs.

REP. CARLSON What is the number that is used to deduct?

REP. BOUCHER Deferred to Sen. Nelson.

REP. RENNERFELDT Do you treat everyone the same with this bill, millionaire, or a hamburger flipper at McDonald's, the question is, should we give a break to the high income brackets?

REP. BOUCHER As the bill is written, it allows the break to everyone. You get into some shark infested waters when you try to single out, who is eligible and who can get these types of breaks. Quite frankly, I agree with you one hundred percent. In order to benefit from a tax credit, the filer must have had both a federal and state income tax obligation. So when we deal with tax credit, we are dealing with people whose income was sufficient enough so they had a tax obligation. This piece of legislation is a fair and equitable allowance that benefits moderate and middle income individuals.

REP. CARLSON There is a lot more here than meets the eye. It talks about, not covered by insurance, in excess of five hundred dollars per individual. That is why, when we look at fiscal notes, it is hard to imagine, how they can figure one. We really don't know how many people

have insurance coverage and how many do not. If you look at the national average, over sixty five, is \$564.00 cost. This is hard to pin down.

REP. BOUCHER Stated, it is very hard to pin down, we don't know the individual situation and we are dealing on averages.

REP. CARLSON This also moves it to the short form as well.

REP. BOUCHER Yes, I have been in this legislative body since 1991, and I have had pieces of tax credit legislation, not of this nature, but of other kinds, bite the bullet, pass one house and get beaten in another house. In 2001, in the 57th Legislative Assembly, we have seen the situation across the state of North Dakota change quite dramatically. I think we have arrived at a time where we will have to take a serious look at our tax reform. It served a good purpose for a long period of time, but in some cases, it is maybe out of date.

REP. RENNERFELDT You talked about all of the different costs in the United States. We have different laws, and in Canada, they don't deal with our EPA, research costs are charged to the U S consumer.

REP. BOUCHER I know, there are a whole host of issues, their environmental agency, I think they call it Environment Canada, and we call it the EPA, etc., there is a whole list of regulations. And, the American consumer seems to bite the bullet for research and developmental costs. I guess if you look at a particular pharmaceutical, and you have a population in North America, we have a trade agreement, why should a greater portion be on the American population than the rest of the population. This particular pharmaceutical is going to be available to everybody. That is why I am saying, if we are going to follow the intent of NAPHTA and the spirit of NAPHTA, we

start to get to the point of universal labels. I resent that I have to pay the cost and the benefit for someone living in some other part of the continent utilizing the same thing I am utilizing.

REP. DROVDAL This is the fourth or fifth bill that we have had in for a direct tax credit off the short form. All of them are passionate and deserving, and all of them cost ten to fifteen million. If we passed out all of them, we wouldn't have any tax coming in. Where do you and I and the legislature draw the line?

REP. BOUCHER I know there are many, I ask myself the same question. We may have to make some significant decisions in terms of priorities.

REP. HERBEL Do you know if any of the other states implemented this type of thing giving a tax credit for prescription drugs?

REP. BOUCHER I can't tell you exactly, it is the discussion I have read in many national publications.

REP. DROVDAL If we allow this fifteen million tax deduction, do you have a proposal where we can raise fifteen million dollars?

REP. BOUCHER There are a lot of ways we can look at alternatives, the first way, prioritize. I have never been on appropriations, but I know the art of appropriations, it is a very skillful art, it is up to us to point out and say, maybe we set money aside that we could be using at a given time. Before we rush out and take drastic measures, the first thing to do, is look very carefully at what we have got, and where those sleights of hand exist. As far as the fiscal note, we don't know for sure that it is fifteen million. We don't know what the average tax payer is going to be obligated to in the coming year.

REP. WINRICH I am curious about the explicit mention of insulin in the bill, I believe it is only available by prescription, isn't it included in the term "prescription drug"?

REP. BOUCHER Deferred to Sen. Nelson.

SEN. CAROLYN NELSON, DIST. 21, FARGO Testified in support of the bill. Submitted a handout from the Midwest Leadership Conference, see attached copy. The handout relates to seniors feeling the pinch from rising drug costs, also relating to decoupling of sales tax. She related to costs of prescriptions on her Blue Cross, Blue Shield insurance statements. This bill is an attempt to relieve that burden. She related to the fiscal note, stating when she called the tax department, they told her they would be taking a guess on the fiscal note. She answered the question relating to why is insulin in addition to prescription drugs, she stated the legislative council drafted it that way. She related to the handout which she had submitted to the committee, stating that some of the states were using their tobacco money to help with prescription costs.

REP. BRANDENBURG Looking at the bill, brings up a big issue about the difference between the United States and Canada, I have been looking into this dealing with harmonization. Over ninety percent of Canada's business, deals with drug and health issues, and the overlying problem deals with the issue of the chemical residues. The thirty thousand farmers we have in the state, we would save a couple hundred million dollars if we had harmonization. I would believe if we had harmonization of drugs for the people that need those, we would have millions.

NORM STUHMILLER, ADVOCATE FOR SENIOR CITIZENS, Testified in support of the bill. I don't know the technicalities of this bill, but I do know that I am a health insurance volunteer counselor for the insurance department. I get all kinds of questions about which

supplement should I buy for my medicare, should I buy long term care insurance or not. Just recently, a husband and wife came in, in tears, because he just couldn't afford the prescription bills which they required. What do you tell them? There is no way he can get out of this, there is no solution for them, they need the medicines. You will note that Blue Cross, Blue Shield does not sell a supplement that includes prescription drugs. You can see why, the premiums become prohibitive. I hope this bill can settle some of these problems.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-30-01, Tape #2, Side A, Meter #3950

Committee members felt this is an attempt to do something we need to do, however, the fifteen million dollar fiscal note made it impossible for some of the committee members to accept.

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

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

11 YES 4 NO 0 ABSENT

REP. HERBEL Was given the floor assignment.

2-12-01 TAPE #1, SIDE B, METER # 3850 **COMMITTEE ACTION - BILL SENT BACK TO COMMITTEE FOR RECONSIDERATION**

Committee members discussed the bill, and decided to send it out of committee again just as they did on January 30, 2001, with no changes. **REP. WINRICH** voted No in sending the bill back as is.

FISCAL NOTE

Requested by Legislative Council
01/23/2001

Bill/Resolution No.: HB 1382

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			(\$15,400,000)			
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 1382 allows a tax credit on both the long and short individual income tax forms for perscription drugs and insulin purchases that exceed \$500 per individual per year.

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.*

If enacted, HB 1382 is expected to reduce state general fund revenues by -\$7.7 million per year.

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:	01/26/2001

Date: 1-30-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1382

House FINANCE & TAXATION Committee

Subcommittee on _____
or
 Conference Committee

*Reconsidered
2-12-01-
passed out as is*

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Nicholas Seconded By Rep Clark

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) 11 No 4

Absent 0

Floor Assignment Rep. Herbel

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

REPORT OF STANDING COMMITTEE (410)
February 12, 2001 4:59 p.m.

Module No: HR-25-3139
Carrier: Herbel
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1382: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends **DO NOT PASS** (11 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1382 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

HB 1382

