

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2218

2001 SENATE FINANCE AND TAXATION

SB 2218

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2218

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/24/01

Tape Number	Side A	Side B	Meter #
1	x		0-8.9

Committee Clerk Signature *Lynelle A. Kraft*

Minutes:

Senator Urlacher: Opened the hearing on SB 2218, relating to a sales and use tax exemption for office furniture and computer and telecommunications equipment in a new or expanding business.

Senator Kroeplin: Co-sponsored the bill, testified in support. With the expanding of our broad-based technology, I think this bill would fit in nicely and help spur some economic development in these communities where we need it quite badly. The bill went through last session. Would like a Do Pass.

Senator Urlacher: It didn't pass through the last time?

Senator Kroeplin: The bill was short a vote or two in the House.

Senator Urlacher: Does this encompass large communities as well?

Senator Kroeplin: Restricted to a city of 2,500 or fewer residents.

Discussion of the fiscal note.

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Senate Finance and Taxation Committee  
Bill/Resolution Number 2218  
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Motion was made.

Senator Wardner: Coming from a bigger community in SW ND, it's one of our goals to help the smaller communities. I have to support this bill. Dickinson support the surrounding areas.

Senator Stenehjem: My suggestion would be why don't you just eliminate sales tax collection in towns of 2,500 or less.

Senator Wardner: If small businesses expand, that means there are more jobs & they are improving the community.

Senator Nichols: We also have the renaissance bill for larger cities.

COMMITTEE ACTION:

Motion made by Senator Nichols for a DO PASS, Seconded by Senator Wardner. Vote was 4 yeas, 2 nays, 0 absent or not voting. Bill carrier was Senator Nichols.

# FISCAL NOTE

Requested by Legislative Council  
01/17/2001

Bill/Resolution No.: SB 2218

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
<b>Revenues</b>			(\$46,000)	(\$4,000)		
<b>Expenditures</b>						
<b>Appropriations</b>						

**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.*

SB 2218 provides a sales and use tax exemption for office furniture, and computer and telecommunications equipment in a new or expanding primary sector business located in a town of 2,500 or fewer 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.*

SB 2218 is expected to reduce revenues by -\$50,000 in the 01-03 biennium. Both the state general fund and the state aid distribution fund would be affected.

**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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
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Phone Number: 328-3402

Date Prepared: 01/23/2001



**REPORT OF STANDING COMMITTEE (410)**  
January 24, 2001 10:13 a.m.

**Module No: SR-12-1493**  
**Carrier: Nichols**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2218: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2218 was placed on the Eleventh order on the calendar.**

2001 HOUSE FINANCE AND TAXATION

SB 2218

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2218

House Finance and Taxation Committee

Conference Committee

Hearing Date March 12, 2001

Tape Number	Side A	Side B	Meter #
1	x		2,618
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

**REP. DROVDAL, VICE-CHAIRMAN** Opened the hearing and read the fiscal note.

**SEN. KEN KROEPLIN, DIST. 23,** Introduced the bill. This bill deals with office furniture, telecommunications equipment, computer equipment and software for a primary sector business for a city of twenty five hundred or less. It would exempt that equipment from sales tax.

**REP. SCHMIDT** Isn't this a bill we had last session?

**SEN. KROEPLIN** This is the same bill that we had last session, but it ended up with a couple votes short.

**REP. GROSZ** Asked for an explanation of the reasoning behind only a city with twenty five hundred or less.

**SEN. KROEPLIN** Our smaller communities are shrinking away faster than the other populations. This would be information technology legislation bringing this technology out to the smaller communities and making them accessible to the whole world. This bill is very

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House Finance and Taxation Committee

Bill/Resolution Number SB 2218

Hearing Date March 12, 2001

important in keeping those communities here. An interesting study was prepared using the community of Bowman compared to Fargo, and what that study stated was that the economic impact of ten jobs in Bowman was the same as four hundred jobs in Fargo. That is why this is targeting the smaller communities.

**REP. DROVDAL** Under the definition of this bill, it appears just about any business would qualify for the sales tax exemption, is that correct?

**SEN. KROEPLIN** It has to be a new or expanding business.

**REP. DROVDAL** Define expanding. Putting on one new employee would be expanding business, would it not?

**SEN. KROEPLIN** I think so.

**BILL SHALHOOB, NORTH DAKOTA ECONOMIC DEVELOPMENT ASSOCIATION,**

Testified in support of the bill. We have heard a lot about this in this session, in the age of the new economy. We are moving from manufacturing to marketing knowledge based economy. A knowledge based economy is having an office with computers. It makes sense at this point, to start including that in our definition of where we are going to give sales tax exemptions. The only caveat in this bill is that it does only apply to primary sector businesses, and there is a definition, so it does not apply to every business on main street. The definition of primary sector businesses is that fifty percent or more of the revenue is generated from outside the political subdivision in which it is located. In Bismarck, when we look at those kind of things, over fifty percent of the revenue has to come from out of state, not just from out of the community. It is specifically targeted at bringing new money into the community.

**REP. HERBEL** If this bill passes, what would happen if someone bought this equipment a year ago?

**BILL SHALHOOB** I believe this bill has an effective date of July 31 or August 1 of this year. You have to get a certificate from the tax department, saying this property qualifies, and you couldn't do that retroactive.

**REP. KROEBER** I think there is an effective date in the bill of June 30.

**REP. SCHMIDT** Would you say this is a fairness issue too? In our town, the city owns the telecommunications building we have, and they don't pay taxes, now a private enterprise is shut out on this tax exemption.

**BILL SHALHOOB** I don't know if it is a fairness issue, because it does give an extra tax credit in a specifically targeted thing for a rural community. I believe the number in the last session, and I keep hearing it in economic development hearings, is that there is three hundred plus, incorporated communities in North Dakota, and only sixteen of them are over the twenty five hundred number. This is a bill that may not go to a fairness issue, but goes to targeting something for a smaller community.

**REP. SCHMIDT** If I went to Watford City to build a telecommunications center, I would pay sales tax on all of the equipment, which can be substantial, but a city has never paid sales tax. I think this bill can level the playing field for private enterprise.

**BILL SHALHOOB** I think it gives an exemption for private enterprise and because it is a tough sell to get some of things to locate in these small areas, I believe that would be good.

With no further testimony, the hearing was closed.

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House Finance and Taxation Committee  
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Hearing Date March 12, 2001

**COMMITTEE ACTION 3-12-01, TAPE #2, SIDE A, METER #3264**

Committee members discussed the bill.

**REP. HERBEL** Gave his opinion of the bill, he gave a brief report about a situation in his area of a corporation who came to town, stayed ten years and used up their exemption, then left, and another corporation came in, in the meantime, a local business, who sells the same product, is competing with these people, so the local company went out of business as they could not compete with the corporations getting the tax exemptions. The local business is a much better steward of the community than the corporate business is. If we are going to do this kind of thing, we need to do it for the local ones and forget about the rest.

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

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

**12 YES 1 NO 2 ABSENT**

**REP. CLARK** Was given the floor assignment.

Date: 3-12-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2218

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. Clark

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	✓	
FELTDAL, 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) 12 No 1

Absent 2

Floor Assignment Rep. Clark

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

**REPORT OF STANDING COMMITTEE (410)**  
March 12, 2001 4:25 p.m.

**Module No: HR-42-5416**  
**Carrier: Clark**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2218: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO NOT PASS (12 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). SB 2218 was placed on the Fourteenth order on the calendar.**