

# MICROFILM DIVIDER

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Deanna Hallworth  
Operator's Signature

10/3/03  
Date

2003 HOUSE FINANCE AND TAXATION

HB 1375

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Donna Halliwell  
Operator's Signature

10/3/03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1375

House Finance and Taxation Committee

Conference Committee

Hearing Date January 27, 2003

Tape Number	Side A	Side B	Meter #
1	x		52.5 to side B
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

**REP. DROVDAL, VICE-CHAIR** Called the hearing to order.

**REP. ROD FROELICH, DIST. 31**, Introduced the bill. See attached written testimony plus information relating to beginning farmers, and amendments to the bill, however, the amendments he presented to the committee weren't quite what he wanted. He stated he would have more amendments drafted.

**REP. IVERSON** Is there an acreage requirement for this?

**REP. FROELICH** No, there is not. This bill is still in the making. It is hard to determine, we could adjust that, we can't go by acreage. The bill does have a maximum limit per year.

**REP. IVERSON** You are talking about property taxes? In my district, which is comprised of southwest Fargo, I have lots of retail in the northern part of my district, and in the south I have some farms, what is to stop someone owning a business up there, and buying ten acres and starting a farm and saying he is now a farmer and not paying his state income tax?

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Page 2  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1375  
Hearing Date January 27, 2003

**REP. FROELICH** I believe there is certain criteria to be considered a farmer. I believe fifty one percent of your income has to be from agricultural business.

**REP. BELTER** You are using the same definitions of beginning farmer that was used for all other beginning farmer programs?

**REP. FROELICH** That is what the amendment does, it redefines that.

**REP. KLEIN** What is the Ag Utilization's definition?

**REP. FROELICH** I believe it is the dollar limit. He stated he didn't have time to check the amendments, but would have like to say that fifty percent of APUC would go back to this program.

**REP. JAMES KERZMAN, DIST. 31** Testified as the co-sponsor of the bill. He felt we have to do something for ag. This bill provides a little incentive. He stated he didn't think it is a cure all, but APUC has done a good job in other areas. He felt we need to put some emphasis back to where things start, which is to keep people on the land. The cost of land has escalated, land has been sold for recreation purposes, or whatever, and the price has gone way above the agricultural value. This is the dilemma. This would be one way to make a little adjustment for that. It would also allow people to rent to a beginning farmer.

**REP. HEADLAND** Did I hear you say the landowner will be able to receive the property tax reimbursement if he rents to a beginning farmer?

**REP. KERZMAN** Indirectly he would.

**JOE BECKER, STATE TAX DEPARTMENT** Testified in a neutral position. Commented on a number of technical items which would need to be worked out. He stated he would work with anybody on that.

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Page 3  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1375  
Hearing Date January 27, 2003

**LU ELLA WEDGE, PROPERTY TAX SPECIALIST, STATE TAX DEPARTMENT.**

Testified in a neutral position. See written testimony.

**BOB HUMAN, SENIOR VICE-PRESIDENT OF LENDING, BANK OF NORTH**

**DAKOTA** Clarified what the Bank of North Dakota uses for a definition for the beginning farmer. The beginning farmer definition can be confusing. They look at a beginning farmers that has a networth less than \$200,000. They have a beginning farmer real estate program and a beginning farmer chattel program. For the real estate program, the beginning farmer has to own less than thirty percent of the median farm size in that county where they are located. For the chattel program, the beginning farmer cannot have received more than fifteen years of FSA farm payments. We give them the three test, we look at three different things, such as, how much time they spend on the farm, how much time could be spent at another job, what kind of mix of assets do they have on their balance sheet, do they have cattle, farm equipment, what kind of payments, and the third thing is, where does this beginning farmer going to get his actual income from, from the non farm job or from the farm. We are very lenient there.

**REP. BELTER** You made the comment that you can't own more than thirty percent of the average farm, is that in your county, or on paper?

**BOB HUMAN** That is in the county where the land purchase will take place.

**REP. BELTER** Asked if he could provide those kinds of figures for the committee.

**BOB HUMAN** Stated they use the 1997 farm census for those figures.

With no further testimony, the hearing was closed.

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Deanna Holcomb  
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Page 4  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1375  
Hearing Date January 27, 2003

**COMMITTEE ACTION** 2-3-03, Tape #1, Side A, Meter #

**REP. FROELICH** Presented amendments, which would take out the words, "or rented" and "or operator". The amendments would also take out one half of the funds available for reimbursement for the biennium. Page 2, line 11 would clarify definitions of "beginning farmer"

Page 2, line 15, is an amendment the tax department wanted in there.

Page 2, line 18, is "beginning farmer" definition as established by the industrial commission.

Stated the reason he introduced the bill is because he has seen how some of APUC money is being expended and he feels it can be better utilized by putting it into the hands of the beginning farmer.

**REP. FROELICH** Made a motion to adopt the amendments as presented.

**REP. WINRICH** Second the motion. Motion carried by voice vote.

**REP. CLARK** Made a motion for a **DO NOT PASS AS AMENDED.**

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

9 YES            4 NO            1 ABSENT

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

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*Deanna Ballantyne*  
Operator's Signature

10/3/03  
Date

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/05/2003

Amendment to: HB 1375

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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 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.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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 Engrossed HB 1375 provides property tax reimbursement for qualifying beginning farmers. Sections 2 and 3 provide income tax deductions for certain income earned by qualifying beginning farmers. The negative fiscal impact is unknown.

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 Dept.
Phone Number:	328-3402	Date Prepared:	02/05/2003

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*Dennis Hollenbach*  
 Operator's Signature

10/3/03  
 Date

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/20/2003

Bill/Resolution No.: HB 1375

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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 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.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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 1375 provides property tax reimbursement for qualifying beginning farmers up to an annual total of \$750,000. Sections 2 and 3 provide income tax deductions for certain income earned by qualifying beginning farmers. Although the property tax reimbursement component is limited to a \$1.5 million appropriation for the 2003-05 biennium, it is unknown how much of the appropriation will actually be needed. The negative fiscal impact from the income tax deductions provided in Sections 2 and 3 is dependent upon the existing farmers who may qualify, any new farmers who start operations in the biennium, and the amount of qualifying income subject to the deduction, all of which are unknown.

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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Dept.
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/23/2003

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*Kathryn L. Strombeck*  
 Operator's Signature

01/23/03  
 Date



