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Salveta Richardson
Operator's Signature

10/6/03
Date

2003 HOUSE FINANCE AND TAXATION

HB 1422

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Richard Costa
Operator's Signature

10/10/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1422

House Finance and Taxation Committee

Conference Committee

Hearing Date January 28, 2003

Tape Number	Side A	Side B	Meter #
1	X		42.8
			to side B
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

REP. ROD FROELICH, DIST. 31, Introduced the bill.

He stated that Sioux county is completely encompassed by the Standing Rock Indian Reservation. He gave a history of past years, regarding the tribe working with Sioux County and the state. He stated they put up a 1.3 million dollar bridge, and of that, the tribe picked up about one half a million dollars. There has been a lot of cooperation between the tribe and the county. The tribe requested that this bill be brought forward.

ELAINE MC LAUGHLIN, TAX COMMISSIONER FOR THE STANDING ROCK

TRIBE, Testified in support of the bill. This bill would allow sales tax exemptions for the tribal government. At the present time, any purchases that are made by departments within the tribal government system, are usually purchased for Standing Rock, and thereby, tax exempt.

However, there are instances in which purchases are made in Bismarck, and the sales tax are then

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La Costa Richardson
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10/16/03
Date

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House Finance and Taxation Committee

Bill/Resolution Number HB 1422

Hearing Date January 28, 2003

paid upon that purchase even though it is by a tribal department government agency. These off-reservation purchases, are usually during an emergency status. Gave an example of a water line break where water pipes needed to be repaired, and sales tax was charged for the pipes. This amendment will enhance the positive relationship you will have with the tribes. The amendment will also insure fairness, by treating the tribes the same as federal, state and local governments.

REP. WEILER Asked for an example that the tribe would buy which you are asking for a tax exemption.

ELAINE MC LAUGHLIN She said nine times out of ten, it is an emergency status purchase, she again referred to the water line break last year, and had to purchase pipeline, in Fargo. They had to pay an essential amount of sales tax on that. There are times when they must purchase a machinery part for one of the vehicles. They usually do their purchases so that they are delivered to the reservation. She stated this tax exemption had been done before but was taken away in 1997.

REP. WINRICH Stated, he finds it a little curious that the tribe should be treated like a political subdivision, he wondered if there are other areas where the tribe is treated as a political subdivision or if this was a unique situation.

ELAINE MC LAUGHLIN She stated that the law states political subdivisions, she was just quoting from that through the treaty code.

MARCUS WELLS, SR., TAX COMMISSIONER OF THE THREE AFFILIATED

TRIBES Testified in support of the bill. He stated they do have contracts with specific governments where they buy a lot of supplies from communities, Minot, in particular. He stated they get a certificate lately, with all of the building which has gone on on their reservation, the

Lois Costa Richardson
Operator's Signature

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certificate exempts them from the sales tax. When we get federal monies, we have a limited budget.

MARCUS WELLS, JR. TREASURER OF THE THREE AFFILIATED TRIBES

Testified in support of the bill. See written testimony.

CAROL TWO EAGLE Submitted written testimony in support of the bill.

TOM DISSELHORST, ATTORNEY WITH THE THREE AFFILIATED TRIBES,

Testified in support of the bill. What we are talking about in terms of exemptions, is what is already the law. Why it is not expressed in state statutes, I can't say. The idea behind this exemption is that, items consumed on reservations, by a tribe, are tax exempt, that is the status of the law now. This is an attempt to codify what is already in state law. This bill will reduce the chance, that at some point, the tribe will have to litigate the issue.

GARY ANDERSON, DIRECTOR OF SALES & SPECIAL TAXES, STATE TAX

DEPARTMENT Testified in a neutral position. He stated they did prepare the fiscal note. As indicated, it is in law, in regard to purchases and information. Currently, the law provides the sale of materials to the reservation to a tribal member, however, the purchases made off the reservation, the tax will apply. The reason the fiscal note is small, is because most of the material deliveries are made to the reservation. There are emergency situations where large items might have to be picked up off the reservation on occasion. Other things that would be covered under this, might be hotel and motel, in Bismarck, when the Indian conference was held here, the tribes would be exempt from the lodging and restaurant taxes. However, in order to enjoy the exemption, it would be no different than the federal government, state government or a political

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House Finance and Taxation Committee

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subdivision, that is a payment or purchase would have to be made by a government check or a tribal warrant or check. The retailer must be paid directly from the tribe for that purchase.

REP. BELTER Prior to 1997, what this bill tried to do, was general practices, is that correct?

GARY ANDERSON Prior to 1997, it was an administrative decision made in our office, that tribes did qualify as a government entity, however, there was a question raised in 1997, as to whether that was a correct position. It was determined by our legal council, that it was in error, and as a result, the tribes were notified that the exemptions they previously held, were no longer effective. I believe the exemptions weren't long standing, they were placed for a number of years, and once it was determined that the law didn't really provide for that, the department did notify the tribes in 1997, that the exemption no longer applied.

CHERYL KULOS, EXECUTIVE DIRECTOR OF INDIAN AFFAIRS Testified in support. She stated this amendment would enhance relationships between the tribes and insures fairness and provides that tribal governments are treated in the same manner that local and other governments are.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-3-03, Tape #1, Side B, Meter #0.1

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

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

10 YES 3 NO 1 ABSENT

REP. IVERSON Was given the floor assignment.

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Yolanda Rickford
Operator's Signature

10/16/03
Date

FISCAL NOTE
 Requested by Legislative Council
 01/21/2003

Bill/Resolution No.: HB 1422

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			(\$27,600)	(\$2,400)		
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.

HB 1422 provides an exemption for sales to Indian tribes. If enacted, it is estimated to result in a drop in sales tax revenues totaling \$30,000 for the 2003-05 biennium.

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:	01/27/2003

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Kal Costa
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10/16/03
 Date

Date: 2-3-03
 Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1422

House FINANCE & TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Iverson Seconded By Rep. Clark

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN		✓			
DROVDAL, VICE-CHAIR	✓				
CLARK	✓				
FROELICH		✓			
GROSZ	✓				
HEADLAND	✓				
IVERSON	✓				
KELSH	A				
KLEIN	✓				
NICHOLAS	✓				
SCHMIDT	✓				
WEILER	✓				
WIKENHEISER	✓				
WINRICH		✓			

Total (Yes) 10 No 3

Absent 1

Floor Assignment Rep. Iverson

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

REPORT OF STANDING COMMITTEE (410)
February 3, 2003 4:04 p.m.

Module No: HR-20-1569
Carrier: Iverson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HB 1422: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO NOT PASS** (10 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1422 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-20-1569

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Yolanda Richardson
Operator's Signature

10/16/03
Date

