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Yolanda Richardson
Operator's Signature

10/16/03
Date

2003 HOUSE FINANCE AND TAXATION

HB 1449

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Jolanta Rickford
Operator's Signature

10/10/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1449

House Finance and Taxation Committee

Conference Committee

Hearing Date January 29, 2003

Tape Number	Side A	Side B	Meter #
1	X		0.9

Committee Clerk Signature

Janice Stein

Minutes:

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

REP. AL CARLSON, FARGO Introduced the bill. This bill relates to the retailer reimbursement for collecting sales and use taxes and provides an effective date. This bill repeals the fee that is given back to the retailer for submitting their sales tax to the state of North Dakota. See written handout with information under the current sales tax law.

REP. GROSZ Asked whether the larger corporations would add an additional expense onto the consumers of North Dakota if this became law.

REP. CARLSON Stated he was not sure if Walmart would keep track of \$1020 and add it onto something, they could. Any expense in the business gets forwarded onto the customer, we all know that. It is a matter of tax policy. We give rebates and refunds on a lot of different things. The question is, as you look at a budget situation wondering where all the money comes from, you have to look at two things, where to we give money back, and exemptions we grant

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Valosta Richardson
Operator's Signature

10/16/03
Date

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House Finance and Taxation Committee
Bill/Resolution Number HB 1449
Hearing Date January 29, 2003

people, are they legitimate to the budgeting process for the taxpayers of North Dakota. We are demanded as a legislature to provide a certain level of service. We have to fund that level of service. I don't view this as a tax increase, but obviously, someone will pay that extra 3.8 million dollars that is not going to be sent out by our treasury.

MILES VOSBERG, SALES TAX SUPERVISOR, STATE TAX DEPARTMENT. Testified in a neutral position. Gave history on the compensation allowance. Submitted Sales and Use Tax Returns for committee members. Gave history regarding sales tax filings. Prior to 1983, all sales tax returns were filed on a quarterly basis. At the 1983 session, the legislature passed a law to require anyone who had taxable sales and purchases of \$333,000 in the previous year, to not file monthly, but to make a monthly deposit on the tax, equal to ninety five percent of the tax they collected in the previous month. At the end of the quarter, they filed a quarterly return, reconciled their sales, remitted the balance of the tax due and, at that time, were allowed to take compensation of \$250 on the quarterly return. In the 1985 session, they changed from the deposit system to just filing monthly returns if you hit that \$333,000 threshold, and one hundred percent of the tax was due with that monthly return. The compensation was left at \$250 per quarter. In the 1987 session, they changed it to \$85 per month. Gave information regarding the administration of the sales tax. He also covered the sales and use tax form, explaining the filing of the tax form.

REP. BELTER Asked if there was information that would break down the various types of sales volume categories. How much money is paid out in various categories.

MILES VOSBERG Stated he didn't have a program for that right now. For the fiscal note, they added up the compensation which was taken in and was stable for the last couple bienniums.

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House Finance and Taxation Committee
Bill/Resolution Number HB 1449
Hearing Date January 29, 2003

He stated he calculated the average at about forty four dollars.

REP. BELTER Requested, if at all possible, if they could be provided with that information.

REP. CLARK Asked if other states do this.

MILES VOSBERG Stated he didn't check on that.

REP. GROSZ Asked if this bill repeals the local compensation as well.

MILES VOSBERG This does not touch the local compensation, which is provided in their local ordinance.

REP. GROSZ Why is there a \$304,000 fiscal impact for other funds.

MILES VOSBERG The fiscal note would not include anything for local taxes. 8% of the sales tax revenue goes into the general distribution fund, which is passed on to the cities. That is the other funds.

REP. SCHMIDT Asked what the procedure was for a sales tax permit.

MILES VOSBERG Stated there was an application procedure. Explained the procedure.

JOHN STERN, STRAUS CLOTHING, FARGO. Testified in opposition of the bill.

Stated they were one of the large retailers, although they don't consider themselves large. When we switched to a quarterly basis instead of monthly basis, that meant we were not filling out these forms. We use a bookkeeping service, to fill out the tax forms. A bookkeeping told us it took three to four hours per month, and we pay \$34 per hour for that service, to file these to the state. Rep. Carlson stated filing electronically saves money, we still have to collect the information and still have to input the information. We are not collecting as much revenue from the state on this, as we are paying out.

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House Finance and Taxation Committee
Bill/Resolution Number HB 1449
Hearing Date January 29, 2003

RANDY HELLMAN, HELLMAN'S CLOTHING, BISMARCK Testified in opposition of the bill. He stated he pays out about \$225 per month in bookkeeping fees and takes in about \$40 a month from the reimbursement. From the standpoint of defraying costs, it doesn't come close. I am a small retailer, I have one employee plus myself, and my wife works there.

ALLAN LEIER, ON AND OFF SALE LIQUOR STORE, BISMARCK Testified in opposition of the bill. Stating we do the collecting of the sales tax for the state and, my discount is about \$15 per month, sometimes at Christmas time it is a little more. For us to do all of the calculating, the big retailers may get a lot more money back, but the maximum is \$85.

BOB LAMP, ON BEHALF OF THE AUTOMOBILE DEALERS ASSOCIATION AND THE NORTH DAKOTA IMPLEMENT DEALER'S ASSOCIATION Testified in opposition of the bill. All of our dealers would be affected by this. Our trade association is also a small business. We take advantage of the monthly filer allowance. We sell to dealers all over the state, so we have an additional problem, we not only have to account for the tax in Fargo, but we also have to be aware of all of the city taxes in various jurisdictions where we sell our products, that takes additional time.

RUSS HANSON, NORTH DAKOTA RETAILER ASSOCIATION Testified in opposition of the bill. Also mentioned that Tom Woodmansee was unable to make it and was also in opposition of the bill.

PATTY LEWIS, NORTH DAKOTA HOSPITALITY ASSOCIATION Appeared in opposition of the bill.

With no further testimony, the hearing was closed.

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Jo Costa Rickford
Operator's Signature

10/16/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1449

House Finance and Taxation Committee

Conference Committee

Hearing Date February 5, 2003

Tape Number	Side A	Side B	Meter #
1		X	45.9
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

COMMITTEE ACTION

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

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

13 YES 1 NO 0 ABSENT

REP. WEILER Was given the floor assignment.

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Ja Costa Rickford
Operator's Signature

10/10/03
Date

LP

FISCAL NOTE
Requested by Legislative Council
01/21/2003

Bill/Resolution No.: HB 1449

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			\$3,496,000	\$304,000		
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 1449 repeals the compensation to retailers for collecting sales and use taxes. If enacted, HB 1449 is expected to increase state revenues by \$3.8 million during 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:	01/28/2003

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Krista Richardson
Operator's Signature

10/16/03
Date

Date: 2-5-03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1449

House FINANCE & TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Drovdal Seconded By Rep. Weiler

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

Total (Yes) 13 No 1

Absent 0

Floor Assignment Rep. Weiler

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

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Valerie Rickford
Operator's Signature

10/16/03
Date

