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Date

2003 HOUSE FINANCE AND TAXATION

HCR 3044

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*10/16/03*  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3044

House Finance and Taxation Committee

Conference Committee

Hearing Date February 10, 2003

Tape Number	Side A	Side B	Meter #
1	X		4.1
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

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

**REP. AL CARLSON, FARGO** Introduced the resolution, which deals with the President's economic growth and tax relief plan. There are critics on both sides and supporters on both sides of this issue. Some of the things it does do, we have a lot of people who invest in the stock market in our country, and we have people who have lost a lot of money in the stock market in recent years. What we have done for years, is double tax the dividends, which doesn't seem right. That is why it is part of the package, to get rid of that taxation. Also, part of this package which affects middle income Americans, is that it accelerates reduction of the marriage penalty tax, it has a faster increase in the child tax credit and it takes into account, an immediate implementation of a new or lower 10 percent tax bracket. There are things that I think he is promoting for the good of the country and they are good for North Dakota. That is why I brought both resolutions HCR 3043 and HCR 3044 forward.

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*Salvatore Riccardi*  
Operator's Signature

*10/16/03*  
Date

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House Finance and Taxation Committee

Bill/Resolution Number HCR 3044

Hearing Date February 10, 2003

**SANDY CLARK REPRESENTING THE NORTH DAKOTA FARM BUREAU** Testified

in support of both resolutions, HCR 3043 and HCR 3044. The estate tax is a very important issue to their members and have worked on it for a very long time on the repeal of the estate tax. They have worked through the process where it comes back in 2010 and then goes back on in 2011, we certainly concur with both resolutions.

**REP. WES BELTER, DIST. 22** Testified in support of the resolution. He stated, double taxation of dividends is an extremely important issue, particularly for the young people. The reality of the difficulty that faces social security, the young people of today, will need to invest their own money and provide for their own retirement more than they ever had to in the past. Government will try to do as much as it can to preserve social security, but that will be a major task because of the demographics of our nation. With the dropping of the birthrate, more and more people will be on the receiving end of social security, and a lot fewer to pay in. The young people will really be challenged. The elimination of the double taxation of dividends will be something that will be very important to the young people's investment plans in the future. I think this is very important, that we as a state, forward this type of legislation to the federal level.

**REP. KELSH** Asked for an explanation of how dividends are double taxed.

**REP. BELTER** The way they are double taxed is, now when a company makes profits, those taxes are paid out, then you pay a tax on those dividends, then when you receive the dividends as an individual, you again pay tax on them. Oftentimes, we look at a big corporation and say they should pay their fair share, and they do pay their corporate tax, but those dividends are yours, you are the stockholder, you are the one taking a risk because you invested in this company. So, when the corporation pays out dividends, you as a stockholder have to pay a tax on the dividends

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Lois Costa Richardson  
Operator's Signature

10/10/03  
Date

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when it leaves the company, but then when you receive the dividends you again pay a tax. That can be quite substantial.

**REP. WINRICH** On the issue of double taxation, I pay income tax on the money I earn and get from my investments, etc., yet, when I go out to buy something with that money, I again have to pay a sales tax, so is the sales tax a double tax and we should eliminate that also?

**REP. BELTER** No, the sales tax is not a double tax because that, in a sense, is a discretionary tax and is not tied to the same thing. When you purchase something, you made a decision to buy that, and that decision is not tied to a company's earnings or to your earnings. It is a decision you made, and to me, it is an entirely separate thing. The corporation dividend tax is all tied together.

**REP. WINRICH** Corporations also have the discretion whether or not to declare a dividend.

Microsoft in particular, have said they have huge reserves because they haven't distributed profits as dividends, the same sort of discretionary decision enters into that.

**REP. BELTER** I think it is a mistake, on the part of corporations, to hold a large amount of cash, and I realize they sometimes hold that cash because they want to, at some point, reinvest it.

I believe dividends belong to the stockholders. I think that is one of the problems we face in America, right now, that boards of directors are not always delivering to the stockholders.

Oftentimes, boards of directors are the holders of a large amount of that stock, so, they don't want to get taxed either, so they hold the cash, and I think that is wrong.

**JOHN RISCH, REPRESENTING THE UNITED TRANSPORTATION UNION** Testified in opposition of the bill. Two years ago the congressional budget of our office projected that the United States would have a 5.6 trillion dollar budget surplus, now the estimates have dropped

from a 5.6 trillion dollar surplus to a 1.6 billion dollar deficit. He felt paying sales tax is a form of double taxation and payroll taxes, social security and medicare taxes on your income, in conjunction with income tax on your income, is another form of double taxation. The tax form is laden with forms of double taxation. To eliminate all forms of double taxation, would simply be unsustainable for government to operate. He related to President Bush's Tax Plan. See attached copy.

**REP. WIKENHEISER** Referred to the president's proposed dividend income tax reduction, won't it stimulate the economy, the people will spend more money, it creates jobs, they pay income tax, isn't this something which would bring in more money?

**JOHN RISCH** Certainly, it makes sense to the government to stimulate the economy, when things are at a downturn. The problem with the president's tax proposal is the year 2003, is an enormous tax reduction of 1.4 trillion dollars, only allows for 36 billion dollars for the year 2004. The intent is to stimulate more savings rather than consumption. If we wanted to stimulate consumption we could eliminate social security, medicare tax for a month or something like that, and put more money in people's hands. That would be more helpful.

**REP. WIKENHEISER** But at the same time, if you want to get some money for investments, don't we have to reduce the taxes for the people that pay them, what good is it for me to get a tax reduction, when I don't have to pay any now?

**JOHN RISCH** There are ways to stimulate consumption by giving a rebate on your payroll taxes, social security or medicare. We could do that. We could do a lump sum payment for all people who file, or those that don't file. The problem is, when you take someone with a great

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deal of wealth, they oftentimes, don't spend that money, they save the money, it doesn't stimulate the economy quickly like someone spending the money will.

**REP. KELSH** Rep. Carlson mentioned interest rates in his testimony, interest rates are low right now, what would you envision happening to interest rates if these two resolutions were enacted?

**JOHN RISCH** The more the government demands and borrows money from the private sector, the more impact it has on upward push of interest rates, which has an adverse affect on the entire economy. Low interest rates, overall, stimulate the economy, encourage the building of houses, etc.

**REP. GROSZ** It is very alarming if the United States on an average, if this average top one percent, thirty thousand dollar tax relief, if the average North Dakota got thirteen thousand, I read that it would not be very conducive for having wealthy people in the state to be able to spend their dollars and reinvest in the industry, I think North Dakota should be taking, not only the fence with the concurrent resolution, but should be taking it further and try to solve ways to get the wealthy into our state, not providing things to keep them out.

**JOHN RISCH** I think the issue here is, much of the concentrated wealth is in much larger cities. North Dakota doesn't have many high income people. I don't know that we can do anything with the tax to bring people out here.

**REP. KLEIN** If the people are holding the money, it is not going to do the economy any good, it is when they release the money that it will do better.

**JOHN RISCH** Certainly, I think the paying of dividends is a good idea. Oftentimes, companies like Microsoft and other companies of not paying dividends, this would encourage

