

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

4004

2005 SENATE FINANCE AND TAXATION

SCR 4004

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4004

Senate Finance and Taxation Committee

Conference Committee

Hearing Date February 1, 2005

Tape Number	Side A	Side B	Meter #
# 1		X	4.4 - 10.2
Committee Clerk Signature <i>Sharon Lenjrow</i>			

Minutes:

**SEN. SCHOBINGER:** appeared as prime sponsor stating this resolution relates to SB 2327 and that if it passes, and SB 2327 becomes law, than I will leave my comments what I gave for SB 2327.

**BILL BUTCHER:** State Director of National Federal of Independent Business (NFIB) appeared in support with written testimony stating we believe the passage of SCR 4004 is the clear and simple way to resolve this recurring question once and for all. We believe that the SD model works and we support it.

**SEN. EVERY:** 60% was that the employer or employees?

**ANSWER:** Employers

**MIKE WALSH:** King Koin Laundry and Car Wash of Bismarck appeared in opposition stating its misleading information.

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SCR 4004

Hearing Date February 1, 2005

**CHRIS RUNGE:** Executive Director of NDPEA appeared in opposition stating we believe there needs to be a number of taxing options available to the legislature in order to assure that adequate services, govt. Services are provided to the people of the State of ND in a consistent manner. By removing income taxes and corporate income taxes from that \_\_\_ we believe that there will not be adequate funding to be able to do what we are doing for the people of the state of ND.

End of hearing.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4004

Senate Finance and Taxation Committee

Conference Committee

Hearing Date February 2, 2005

Tape Number	Side A	Side B	Meter #
#2	X		56.2 - 61.5
		X	20.7 - 22.9
Committee Clerk Signature <i>Sarah Renshaw</i>			

Minutes: **AFTERNOON COMMITTEE WORK**

**SEN. WARDNER:** we don't have anyone out there pushing the issue and I won't support. We got a good system now.

**SEN. URLACHER:** as I recall the corporate tax is about 4% of total revenue and there needs to be some adjustments but I'm not sure we want to disrupt for that percentage.

**SEN. EVERY;** I think that educating the public alone is a huge undertaking and I don't know if we could effectively do it. To give them enough information to where they could make an educated decision at the polls in that short period of time.

**SEN. TOLLEFSON:** agrees to certain extent, Sen. Schobinger is looking at the future and its admirable for looking into a future move. I don't think there is anything to be afraid of, if they don't understand the issue when it comes to the polls, their vote no and I don't think it would hurt a thing to put this on the ballot, maybe in the long run, we would even have a better

educated society from the stand point of economic development and everything that goes with it.

I think its a good idea and doesn't hurt a thing. What harm does it do?

**SEN. EVERY:** the harm that it does is that it puts the burden on the families that can least afford it and lets face it, those are the ones that are going to be the least likely to make it to the polls. I think that if this were to hit the ballot, your a lot more likely to get the white collar folks to the polls then you are the blue collar folks to the polls.

**SEN. TOLLEFSON:** I don't necessarily agree with that, I think its worth a try. If its voted down, fine, nothing ventured, nothing gained. This is only a resolution and costs nothing, just bringing it to the people.

**SEN. URLACHER:** I trust the people if they are informed to the point to make good judgment. I know the tax system is very complicated, its a time element and the proper education to make that judgment.

**SEN. COOK:** the concern here is the mechanics of how all this works and if we put this to the vote of the people, and if passes goes into effect 1-1-06, that will be alittle over a month after the voters decide to tell us to do this, this bill affects all kinds of sales tax laws, what's taxable and what is not. It would impossible for the tax dept. To react in that time frame. I feel the people will vote it down over whelmingly and I can't support.

**SEN. TOLLEFSON:** made a Motion to AMEND FROM 2006 TO 2008 for the effective date, seconded by Sen. Cook.

**SEN. WARDNER:** I can support the amendment.

**VOICE VOTE:** 6-0-0 Motion carries

**SEN. TOLLEFSON:** made a **MOTION FOR DO PASS AS AMENDED**, seconded by Sen. Cook.

**SEN. WARDNER;** has no urge by his people to support or send this out.

**SEN. URLACHER:** what I hear is people have always said that the property tax is too high and make some shifts within to alleviate that and a lot of property taxes also, locally driven, but I'm not sure this is the way.

**SEN. EVERY:** if there is this outcry of reform, there is a process called an initiated measure.

**SEN. TOLLEFSON:** that's why we're elected to make those decisions, right, promote them or defeat them. I think this is a forward movement to the future. We aren't talking about corporations that are necessarily in ND now, I think he's thinking more and I believe him that perhaps we can make ND more attractive. To bring that to the people, make attention arrived at from the standpoint of putting it on the ballot. I can't see any harm in doing that.

**SEN. BERCIER:** back home their concerns are with property taxes.

**SEN. TOLLEFSON:** property tax are undoubtedly a big issue, corporate tax maybe it isn't an issue here in ND, but if we say that this would be an attraction enough to bring more corporations to ND, its a huge plus. Putting on the ballot, doesn't hurt a thing.

**ROLL CALL VOTE;** 1-5-0 Motion fails

**SEN. EVERY:** made a **MOTION FOR DO NOT PASS AS AMENDED**, seconded by Sen. Bercier.

**ROLL CALL VOTE:** 5-1-0 Sen. Wardner will carry the bill.

Page 4  
Senate Finance and Taxation Committee  
Bill/Resolution Number SCR 4004  
Hearing Date February 2, 2005

**SEN. COOK:** made a **MOTION TO RECONSIDER OUR ACTION OF DO NOT PASS**

**AS AMENDED**, seconded by Sen. Every.

**VOICE VOTE:** 6-0-0 Motion carries

**SEN. COOK:** made a **MOTION TO RECONSIDER OUR ACTION TO WHERE WE**

**AMENDED**, seconded by Sen. Wardner.

**VOICE VOTE:** 6-0-0

**SEN. COOK:** made a **MOTION FOR DO NOT PASS**, seconded by Sen. Every.

**ROLL CALL VOTE:** 5-1-0 Sen. Wardner will carry the bill.













**REPORT OF STANDING COMMITTEE (410)**  
February 2, 2005 5:12 p.m.

**Module No: SR-22-1743**  
**Carrier: Wardner**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SCR 4004: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SCR 4004 was placed on the Eleventh order on the calendar.**

2005 TESTIMONY

SCR 4004



NORTH DAKOTA

**Testimony of Bill Butcher, State Director, National Federation of Independent Business (NFIB) in support of SCR 4004**

NFIB represents approximately 3000 small business owners throughout North Dakota.

All positions that NFIB takes on issues before the Legislature are determined entirely by member ballots. We do not take a position unless at least 60 percent of our members vote in favor of or against an issue.

In 2003, NFIB/North Dakota members were asked if they would like to have personal and corporate income taxes eliminated and replaced by an expanded sales tax. The results of our member poll was 62 percent in favor of elimination of all income taxes in North Dakota and state reliance instead upon sales tax for revenues. 31 percent were opposed and 7 percent were undecided.

The bill that would have eliminated all income tax was considered by the 2003 Legislature and was defeated; however, our members have stated clearly that they support such legislation and that support still stands today.

We believe that passage of SCR 4004 is the clear and simple way to resolve this recurring question once and for all. We believe that the South Dakota model works and we support it.

NFIB takes a position in support of SCR 4004 so that the people can make the choice. We urge a "Do Pass" recommendation from the Committee.

# united transportation union



750 Augsburg Avenue  
Bismarck, ND 58504  
Office: 701-223-0061  
Fax: 701-223-0061  
utu@bis.midco.net

**Testimony of John Risch  
Before the Senate Committee on Finance and Taxation  
Opposing SCR 4004  
February 1, 2005**

Mr. Chairman and members of the committee, my name is John Risch. I am the elected North Dakota Legislative Director of the United Transportation Union. The UTU is the largest rail labor union in North America. Our membership includes conductors, engineers, switchmen, trainmen, and yardmasters. The UTU opposes SB ~~2314~~ for a number of good reasons. I will address the corporate tax repeal first.  
2327

### Corporate Income Tax

Repealing the state corporate income tax would grant tax relief only to "profitable" corporations. Struggling corporations would not benefit because struggling businesses pay little or no income tax. The beauty of our current income tax system is that it is self-adjusting. When a business hits a downturn, it pays little or even no income tax in a given year. When things improve, a business's taxes increase along with its prosperity. The positive aspects of a business's tax liability being based on its ability to pay cannot be overstated.

This proposal to take corporate North Dakota off the income tax rolls is simply bad public policy. It grants tax breaks to established businesses without any obligation to reinvest any of that money in our state. One could argue that this bill will simply take corporations off the income tax rolls and not one new job will be created because there's no requirement for them to do so.

I work for the Burlington Northern Santa Fe Railway, which is a good company to work for. I enjoy my job. But taking BNSF off the income tax rolls won't cause them to create one new job in our state. My company creates jobs when there is work to be done. This bill will do nothing to enhance that.

When you think about North Dakota's current economy, there are segments that are in trouble. Certainly low-wage workers struggle, but what good would it do them to take employers like Walmart and McDonald's off the income tax rolls? At issue is fundamental fairness. It isn't fair to take the most prosperous entities in North Dakota off the state tax rolls and shift the tax burden onto the rest of us.

**Personal Income Tax**

The personal income tax is a very fair tax because, like the corporate income tax, it is self-regulating, based on one's ability to pay. When a person has a high income in one year, they pay more taxes; when their income goes down, for whatever reason, their tax liability goes down correspondingly. If they have a very bad year, they pay no income tax at all.

For example, if a farm family has a prosperous year with a bumper crop, they're in a much better position to pay some income tax than in a year when they have little or no crop due to drought or disease. However, in both good and bad years, the expenses, and with it, their sales tax liability, remain relatively the same no matter what the outcome at harvest time.

Raising and expanding the sales tax is more harmful to moderate and lower income people than to affluent people because lower income people spend more of their disposable income on taxable items. Much of the money affluent people receive, after paying for goods and expenses, is invested and not taxed at all. Raising the sales tax will make our overall tax system less fair, putting more of our tax burden on those less able to afford it.

Our state has a diverse tax system. To change that and become so reliant on the sales tax is extremely risky. Any downturn in the economy would dramatically affect our tax revenue. In addition, as the volume of goods purchased over the internet increases, it means a corresponding decline in the collection of sales tax revenue. The potential remains for a huge reduction in future sales tax revenue.

There are a host of reasons why this legislation should be defeated. I've listed a few. But the main reasons are that it would make our tax system less fair and equitable, and it would place more of the tax burden on moderate and low income people. For these reasons, the UTU opposes SCR 4004 and urges this committee to recommend a "DO NOT PASS."

**Average wage and salary  
disbursements  
(dollars)**

<b>FIPS</b>	<b>Area name</b>	<b>2003</b>
00	United States	37,154
01	Alabama	31,561
02	Alaska	37,851
04	Arizona	34,738
05	Arkansas	28,335
06	California	41,811
08	Colorado	38,378
09	Connecticut	47,262
10	Delaware	40,044
11	District of Columbia	59,422
12	Florida	33,221
13	Georgia	36,160
15	Hawaii	34,135
16	Idaho	28,243
17	Illinois	39,925
18	Indiana	32,735
19	Iowa	29,922
20	Kansas	31,028
21	Kentucky	31,382
22	Louisiana	30,219
23	Maine	30,267
24	Maryland	40,110
25	Massachusetts	45,179
26	Michigan	38,664
27	Minnesota	37,797
28	Mississippi	27,078 (49 <sup>th</sup> )
29	Missouri	33,284
30	Montana	26,830 (51 <sup>st</sup> )
31	Nebraska	30,456
32	Nevada	35,852
33	New Hampshire	36,519
34	New Jersey	45,545
35	New Mexico	30,467
36	New York	46,577
37	North Carolina	33,180
38	North Dakota	27,370 (48 <sup>th</sup> )
39	Ohio	34,476
40	Oklahoma	29,414
41	Oregon	33,844
42	Pennsylvania	36,157
44	Rhode Island	35,555
45	South Carolina	30,325
46	South Dakota	26,877 (50 <sup>th</sup> )
47	Tennessee	32,868
48	Texas	36,421
49	Utah	30,829
50	Vermont	31,166
51	Virginia	38,152
53	Washington	39,283
54	West Virginia	28,688
55	Wisconsin	32,779
56	Wyoming	29,772

# **Senate Concurrent Resolution No. 4004 Testimony**

**By: Glen E. Baltrusch**

**Before the Senate Finance and Taxation Committee  
Lewis and Clark Room – North Dakota State Capital**

**9:30 A.M., Tuesday, February 1, 2005**

Mr. Chairman, Members of the Committee;

Good morning. My name is Glen E. Baltrusch. I currently reside at Harvey, North Dakota, and I seek your support for Senate Concurrent Resolution No. 4004 with a "DO PASS" recommendation out of this committee to the floor of the Senate, with the members of the Senate concurring and voting in the affirmative, for Senate Concurrent Resolution 4004 to be placed upon the ballot for the next general election.

Senate Concurrent Resolution No. 4004 is a major step in the right direction, at the right time, for the right reasons, for North Dakota. I can tell you that over the past several years I have had the opportunity to ask different people at random if they support the repeal of the state income tax across the board, personal – business – corporate, and replace it with an increase in the state sales tax. I explained that the repeal would only affect the North Dakota income tax, not federal, and would increase the sales tax, and most likely implement a sales tax on goods and services not currently taxed. Of those I asked, well over a "super-majority" support the repeal of the income tax, and replace it with a sales tax.

Just recently a local radio station posed the question for their listening audience to respond to by logging on to their website and answer the poll on-line by computer. The question was, "Do you support the repeal of the North Dakota income tax?", and the response was over 66% supporting the repeal several days after the question was initiated.

For over a decade I, as we all have, watched the out-migration and decline of North Dakota, which clearly, is not in a positive direction. I have witnessed with interest and concern as the mood and attitudes have shifted from positive, to almost desperation, to what may be termed apathy, of and in this state. There is absolutely no question that North Dakota must pursue a new, or maybe I should say old, direction; one of economic growth and prosperity. Senate Concurrent Resolution No. 4004 is that proper direction and will do more to stimulate growth and prosperity in North Dakota than any current economic development (corporate welfare) program that is currently in effect today, including Senate Bill No. 2327, which is a required companion bill to this resolution. I pray that this Legislative Assembly chooses this direction of growth and prosperity for the state of North Dakota and its citizens.

In closing, I respectfully request that you give Senate Concurrent Resolution No. 4004 a "DO PASS" recommendation. Thank you for your time and consideration of this matter.