

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



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| ROLL NUMBER |
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DESCRIPTION

1403

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1403

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1403

House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: 01-23-2007

Recorder Job Number: 1648

Committee Clerk Signature

*Lisa M Thomas*

Minutes:

Minutes:

**Chairman Keiser opened the hearing on HB 1403. HB 1403 relates to an individual and corporate income tax credit for operation of a micro business; and to prove an effective date.**

**Rep. Onstad** introduced the bill. See written testimony.

**Rep. Johnson:** Let me clarify. The tax credit is twenty percent of the investment for a one year period. The limit is ten thousand dollars on a lifetime and a limited number of years that you qualify.

**Rep. Onstad:** I think you probably have a multiple expansion of several years. We will just take the one time unit to one year at a time. That would go toward this lifetime total cash credit. Maybe in year one, they expand. There are two employees and they expand and go to four employees. They still qualify that micro business because there are five or less employees. If you are three and expand to seven employees, they will no longer qualify for the micro business. Therefore, we look at it as that business it doing well.

**Rep. Keiser:** Why, if you are going to start a company out in rural ND, you meet all the criteria, and you invest one hundred and fifty thousand dollars. I get a ten thousand dollar tax credit. I

have three or four employees, so I qualify. I am successful and I haven't been able to use the tax credit because there hasn't been a lot of profit. Then in three years, I hire ten more people because I am busy. Why do we want take the tax credit away from the risk?

**Rep. Onstad:** I guess in discussion of working this bill that has never been expressed. I can't disagree with your comments. I think if the definition is five employees or less and you go out of that, you know longer fit that definition, so therefore you no longer get the tax credit. It is do deal with the smaller businesses.

**Rep. Keiser:** Would you support an amendment that would say for the first year or two years if you have five employees or less, you get the tax credit.

**Rep. Onstad:** Yes, I would.

**Opposition was heard at this time.**

**Mary Loftsguard, North Dakota Tax Department,** spoke in neutrally to the bill.

**Loftsguard:** I just wanted to affirm Rep. Onstad's mention that discussion is going to begin with our office. We have some concerns about the administration of the bill. This would be the first instance where the tax commissioner would be charged with determining something that is very new for us in the state. We have some questions to firm up some of the language in the bill. I think the way the bill reads, it could also include salary increases for their initial employees.

**Rep. Vigesaa:** Chances are that a new company like this may not earn any profits for the first year or two and wouldn't have any place to go with it. Can those credits be carried forward until there are profits there that can be used?

**Loftsguard:** No, it would have to be specified.

**Rep. Kasper:** Is it possible to share tax credits with another business?

**Loftsguard:** No, under state law, there are no saleable credits.

**Rep. Keiser:** You have a concern about the tax department and we would be setting the precedence for the tax commissioner to find credits and how they are applied. This is almost in a way, a new Pace Program.

**Loftsguard:** I am not familiar with the Pace Program.

**There were no further questions. The hearing was closed. No action was taken at this time.**

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1403

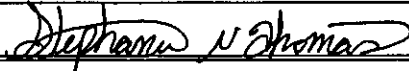
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: 2498

Committee Clerk Signature



Minutes:

**Chair Keiser** opened the hearing on HB 1403.

**Rep. Kenton Onstad, District 4:** Overview of proposed amendment. A lot of the changes we received from the Tax Department. The other thing that we changed was that you take the value added invested credit, and you take the Seed Capital Investment Credit, the Tax Commission does not make that determination, and so they made a change there that the Department of Commerce does that. The Department of Commerce will determine the eligibility of who's qualified for this credit. Another change that we made is the \$2 million dollars was allocated; they have changed the seed capital investment to a certain number of projects. They've added investment credits to a certain number of projects, and the reason why we did that, I believe it's there so their trail energy qualifies for seed capital. If you're an investor, there's stuff that you got, and there is people that did not get that, because the state already released that cap, and so what they've done in the Tax Department is they've made that change that there is so many projects, and so it went to 200 projects in the Seed Capital. The other thing that was done is the tax credits could be carried out for 5 years. They also took 7,500 and went to 3,000 for less in population. Basically, the language was just to fit into the current ND tax code, and allowing the Department of Commerce that speculation.

**Rep. Keiser:** Where does the money come from, just in the tax credit?

**Rep. Onstad:** The money would come from the general fund.

**Rep. Kasper:** The tax credit would come from the person who would get the tax credit paying fewer taxes; there would be no general fund.

**Rep. Keiser:** It's an indirect hit.

**Rep. Kasper:** I'm having trouble on page 1; line 15 where you talk about new employment needs the amount by which the total compensation paid during the taxable year a ND resident employee exceeds the total compensation pay in ND resident employees in the taxable year before the application. Does that mean for that business?

**Rep. Keiser:** Yes.

**Rep. Keiser:** There remains a \$10,000 max over the lifetime per business.

**Rep. Onstad:** Yes, the discussion with the Tax Department, if you use \$100,000 that is the average investment.

**Rep. Zaiser:** This couldn't reauthorize, it only goes to the sunset.

**Rep. Keiser:** Correct.

**Rep. Ruby:** Did you leave in the part where it's only for companies that have 5 employees or less? Would that possibly be restricted? Say they want to hire one more, but to get this credit they can't?

**Rep. Onstad:** I'm going to leave it there. That is the definition of micro business, and a small business can develop a small business development, and find out that most of those are part of this.

**Rep. Boe:** I move the amendment.

**Rep. Zaiser:** Second.

**Voice vote taken, the amendment is on the bill.**

**Rep. Boe:** I move a do pass, as amended, and rereferred to appropriations.

**Rep. Zaiser:** Second.

**Roll call vote was taken. 11 Yeas, 0 Nays, 3 Absent, Carrier: Rep. Johnson**

Hearing closed.



**FISCAL NOTE**  
**Requested by Legislative Council**  
03/08/2007

Amendment to:           Engrossed  
                                  HB 1403

**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.*

|                       | 2005-2007 Biennium |             | 2007-2009 Biennium |             | 2009-2011 Biennium |             |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                       | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| <b>Revenues</b>       |                    |             |                    |             |                    |             |
| <b>Expenditures</b>   |                    |             |                    |             |                    |             |
| <b>Appropriations</b> |                    |             |                    |             |                    |             |

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium |        |                  | 2007-2009 Biennium |        |                  | 2009-2011 Biennium |        |                  |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties           | Cities | School Districts | Counties           | Cities | School Districts | Counties           | Cities | School Districts |
|                    |        |                  |                    |        |                  |                    |        |                  |

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Eng. HB 1403 with Senate Amendments provides a corporate and individual income tax credit for operation of a new or expanding microbusiness in economically viable communities with a population less than 2,000.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of Eng. HB 1403 with Senate Amendments sets out the parameters of the tax credit including the overall ceiling of the tax credit, which is capped at 200 certified microbusinesses, and a maximum tax credit of \$10,000 per business. The total tax credits cannot exceed \$2 million. It is not known if the tax credits will reach the cap in the 2007-09 biennium; the fiscal impact of Eng. HB 1403 with Senate Amendments 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

|                      |                      |                       |                            |
|----------------------|----------------------|-----------------------|----------------------------|
| <b>Name:</b>         | Kathryn L. Strombeck | <b>Agency:</b>        | Office of Tax Commissioner |
| <b>Phone Number:</b> | 328-3402             | <b>Date Prepared:</b> | 03/08/2007                 |

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/05/2007

Amendment to: HB 1403

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.*

|                | 2005-2007 Biennium |             | 2007-2009 Biennium |             | 2009-2011 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.*

| 2005-2007 Biennium |        |                  | 2007-2009 Biennium |        |                  | 2009-2011 Biennium |        |                  |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties           | Cities | School Districts | Counties           | Cities | School Districts | Counties           | Cities | School Districts |
|                    |        |                  |                    |        |                  |                    |        |                  |

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Eng. HB 1403 provides a corporate and individual income tax credit for operation of a microbusiness in smaller cities and rural towns.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of Eng. HB 1403 sets out the parameters of the tax credit including the overall ceiling of the tax credit, which is capped at 200 certified microbusinesses, and a maximum tax credit of \$10,000 per business. The total tax credits cannot exceed \$2 million. It is not known if the tax credits will reach the cap in the 2007-09 biennium; the fiscal impact of Eng. HB 1403 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

|                      |                      |                       |                            |
|----------------------|----------------------|-----------------------|----------------------------|
| <b>Name:</b>         | Kathryn L. Strombeck | <b>Agency:</b>        | Office of Tax Commissioner |
| <b>Phone Number:</b> | 328-3402             | <b>Date Prepared:</b> | 02/06/2007                 |

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/16/2007

Bill/Resolution No.: HB 1403

**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.*

|                | 2005-2007 Biennium |             | 2007-2009 Biennium |             | 2009-2011 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.*

| 2005-2007 Biennium |        |                  | 2007-2009 Biennium |        |                  | 2009-2011 Biennium |        |                  |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties           | Cities | School Districts | Counties           | Cities | School Districts | Counties           | Cities | School Districts |
|                    |        |                  |                    |        |                  |                    |        |                  |

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1403 provides a corporate and individual income tax credit for operation of a microbusiness in smaller cities and rural towns.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1403 sets out the parameters of the tax credit including the overall ceiling of the tax credit, which is capped at \$2 million per year. It is not known if the tax credits will reach the annual caps; the fiscal impact of HB 1403 cannot be determined.

**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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

|                      |                      |                       |                            |
|----------------------|----------------------|-----------------------|----------------------------|
| <b>Name:</b>         | Kathryn L. Strombeck | <b>Agency:</b>        | Office of Tax Commissioner |
| <b>Phone Number:</b> | 328-3402             | <b>Date Prepared:</b> | 01/22/2007                 |

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1403

Page 1, line 9, remove "personal"

Page 1, after line 11, insert"

"b. "Director" means the director of the department of commerce division of economic development and finance."

Page 1, line 12, replace "b." with "c." and remove "and"

Page 1, line 13, remove "which does not have its primary business location"

Page 1, line 14, replace "seven" with "three", remove "five hundred" and replace "more" with "less"

Page 1, line 15, replace "c." with "d."

Page 1, line 18, after the period insert "For the purposes of calculating the increase in new employment, the employer must not include merit or equity based salary increases, cost of living adjustments, or any other increase in compensation not directly related to the hiring of new employees during the taxable year."

Page 1, line 19, replace "d." with "e."

Page 2, line 2, after the period insert "For the purposes of calculating the increase in new investment, the employer must not include any increases in rents for property leased prior to the current tax year. Only rents for leases completed in the current tax year may be included."

Page 2, replace lines 1-31 with:

"2. The director shall accept applications for qualification as a microbusiness under this section from a taxpayer who is actively engaged in the operation of a microbusiness or who will establish a microbusiness in which the taxpayer will be actively engaged in or operating within the current or subsequent taxable year. The application must be on a form provided by the director and must contain:

a. A description of the microbusiness;

b. The projected income and expenditures of the microbusiness;

7. The credit under this section may not exceed a taxpayer's liability as determined under this chapter for the taxable year and each year's unused credit amount may be carried forward for up to five taxable years.
8. The taxpayer must claim the tax credit under this section by filing a form provided by the tax commissioner and attaching the microbusiness certification letter.
9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
10. The tax commissioner shall prepare a report for the director identifying the following aggregate amounts for the previous calendar year:
  - a. The actual amount of new investment and new employment in the previous calendar year that was reported by taxpayers certified as a microbusiness under this section; and
  - b. The tax credit claimed during the previous calendar year.

The report required by this subsection must be issued by January 1, 2009, and each January fifteenth thereafter. Information may not be included in the report which is protected by state or federal confidentiality laws."

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 26

Renumber accordingly

Date: 1-31-07  
 Roll Call Vote #: \_\_\_\_\_

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. HB 1403

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass, AS Amended, Referred to Appop.

Motion Made By Rep Boe Seconded By Rep Zaiser

| Representatives       | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Keiser       | X   |    | Rep. Amerman    | X   |    |
| Vice Chairman Johnson |     |    | Rep. Boe        | X   |    |
| Rep. Clark            | X   |    | Rep. Gruchalla  | X   |    |
| Rep. Dietrich         |     |    | Rep. Thorpe     | X   |    |
| Rep. Dosch            |     |    | Rep. Zaiser     | X   |    |
| Rep. Kasper           | X   |    |                 |     |    |
| Rep. Nottestad        | X   |    |                 |     |    |
| Rep. Ruby             | X   |    |                 |     |    |
| Rep. Vigesaa          | X   |    |                 |     |    |
|                       |     |    |                 |     |    |
|                       |     |    |                 |     |    |
|                       |     |    |                 |     |    |
|                       |     |    |                 |     |    |
|                       |     |    |                 |     |    |
|                       |     |    |                 |     |    |

Total Yes 11 No 0

Absent 3

Floor Assignment Rep Johnson

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

**REPORT OF STANDING COMMITTEE**

**HB 1403: Industry, Business and Labor Committee (Rep. Keiser, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). HB 1403 was placed on the Sixth order on the calendar.

Page 1, line 9, remove "personal"

Page 1, after line 11, insert:

"b. "Director" means the director of the department of commerce division of economic development and finance."

Page 1, line 12, replace "b." with "c." and remove "and"

Page 1, line 13, remove "which does not have its primary business location"

Page 1, line 14, replace "seven" with "three", remove "five hundred", and replace "more" with "less"

Page 1, line 15, replace "c." with "d."

Page 1, line 18, after the underscored period insert "For the purposes of calculating the increase in new employment, the employer may not include merit or equity based salary increases, cost of living adjustments, or any other increase in compensation not directly related to the hiring of new employees during the taxable year."

Page 1, line 19, replace "d." with "e."

Page 2, line 2, after the underscored period insert "For the purposes of calculating the increase in new investment, the employer may not include any increases in rents for property leased before the current taxable year. Only rents for leases completed in the current taxable year may be included."

Page 2, replace lines 20 through 31 with:

"2. The director shall accept an application for qualification as a microbusiness under this section from a taxpayer that is actively engaged in the operation of a microbusiness or that will establish a microbusiness in which the taxpayer will be actively engaged in or operating within the current or subsequent taxable year. The application must be on a form provided by the director and must contain:

- a. A description of the microbusiness;
- b. The projected income and expenditures of the microbusiness;
- c. The market to be served by the microbusiness and the way the expansion addressed the market;
- d. The amount of projected new investment or employment increases;
- e. The projected improvement in income or creation of new self-employment or jobs in the area in which the microbusiness is located;

- f. The nature of the applicant's engagement in the operation of the microbusiness; and
        - g. Any other document, plan, or specification required by the director.
3. A business may be certified by the director as a microbusiness if:
  - a. The applicant is actively engaged in the operation of the microbusiness or will be actively engaged in the operation of the microbusiness upon its establishment;
  - b. The applicant will make new investment or employment in the microbusiness; and
  - c. The new investment or employment will create new income or jobs in the area in which the business is located.
4. If the applicant meets the requirements of subsection 3, the director shall issue a certification letter to the microbusiness. The certification letter must include the certification effective date.
5. The director may not certify more than two hundred qualified businesses as a microbusiness.
6. A taxpayer that is certified as a microbusiness is entitled to tax credits against tax liability as determined under section 57-38-29, 57-38-30, or 57-38-30.3 equal to twenty percent of the taxpayer's new investment and new employment in the microbusiness during the taxable year. A taxpayer may not obtain more than ten thousand dollars in credits under this section over any combination of taxable years.
7. The credit under this section may not exceed a taxpayer's liability as determined under this chapter for the taxable year. Each year's unused credit amount may be carried forward for up to five taxable years.
8. The taxpayer only may claim the tax credit under this section by filing a form provided by the tax commissioner and attaching the microbusiness certification letter.
9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
10. The tax commissioner shall prepare a report for the director identifying the following aggregate amounts for the previous calendar year:
  - a. The actual amount of new investment and new employment in the previous calendar year which was reported by taxpayers certified as a microbusiness under this section; and
  - b. The tax credit claimed during the previous calendar year.



11. The report required by this subsection must be issued by January 1, 2009, and each January fifteenth thereafter. Information may not be included in the report which is protected by the state or federal confidentiality laws."

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 26

Renumber accordingly

2007 SENATE FINANCE AND TAXATION

HB 1403

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1403**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 21, 2007

Recorder Job Number: # 3556

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee to order and opened the hearing on HB 1403.

**Rep. Onstad**: prime sponsor of the bill appeared in support with written testimony. (See attached)

**Sen. Urlacher**: this 20% is there overlapping of other credits or exemptions that pertain to the same thing that you're aware of?

**Answer**: I'm not aware of any, it only deals with the business, if it's going to be expanding its only for the expansion part it's not for \_\_\_\_ previous business or whatever

**Sen. Oehlke**: do you know the average number of years a new business is in business before it turns a profit?

**Answer**: I believe the first 2 years you're not going to see a profit so it's probably near 3 that would happen. That the reason we are carrying out to 5 years so they can see a profit.

**Sen. Horne**: you talk about a sunset, what is a sunset?

**Answer**: the sunset is really the first 200 businesses and that would be total of 200 not 200 per year.

**Sen. Cook**: could it be a business that relocates also, what is considered a new investment?

**Answer:** the new investment is did they purchase a building? Did they bring in 2 new employees? Maybe some new inventory.

**Sen. Cook:** does it have to be 2 new employees? Or transferring?

**Answer:** I do not believe that would work; we talked about increased a person's salary that is not part of the program, bonuses, so I don't think we've created a new position.

**Sen. Cook:** so for a first year for a company that relocates, they spend 100,000 on a building that's going to count; they increase their inventory and increase salaries that would all count the first year?

**Answer:** Not salaries

**Sen. Cook:** is there an opportunity for the 2<sup>nd</sup> year also to receive this credit?

**Answer:** Correct, maximum of \$10,000 lifetime tax credit.

**Sen. Cook:** is there any number of years you have to reach that maximum?

**Answer:** No

**Sen. Triplett:** you mentioned twice now that there have been successful programs in Nebraska & Oklahoma, can you give us a little more detail.

**Answer:** first to work on leadership, second to work on community endowments and the third was for tax incentives for micro businesses enterprise. I believe Nebraska has 51 or 5200 businesses that have qualified under their particular program.

**Sen. Cook:** the cap is that 200 per year?

**Answer:** only allows for 200 no matter how long

**Sen. Tollefson:** that 200 could vary, say you had a small business in a town less than 3000 that moved, they moved to a larger community, they would then be subtracted from that number of 200?

**Answer:** yes

**Donita Wald**: Tax Dept. appeared stating when amendments were drafted some things were missed and had some minor corrections.

**Sen. Cook**: a small business in Mandan, sole proprietorship goes to New Salem and buys a \$100,000 building for a warehouse, that investment in New Salem is going to constitute as a micro business and you put an employee in there.

**Answer**: if you look, you have to have new investment means an increase of what you had the previous year. I don't think you'd have a new investment. If you were expanding then yes possibly.

**Sen. Oehlke**: it only works inside city limits apparently, is that correct?

**Answer**: yes

**Sen. Cook**: does the sole proprietor have to live in New Salem then or can he live in Mandan?

**Answer**: no requirement that the owner or operator live anywhere.

Closed the hearing.

**Sen. Triplett**: made a Motion to Move the Amendments, seconded by Sen. Horne

**Sen. Urlacher**: this seems to be in my opinion in small communities where there is some businesses could be very viable in the service area.

**Sen. Oehlke**: I'd be surprised if they turn it into any meaningful profit by the 3<sup>rd</sup> year.

**Sen. Tollefson**: it's usually 5 or 6.

Voice vote: 7-0-0                      Amendment carries

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1403

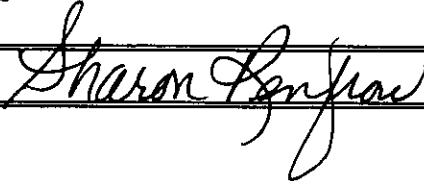
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 26, 2007

Recorder Job Number: # 3819

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee to order for discussion on HB 1403.

**Sen. Triplett**: what I was looking for in 1403 was something that would help us define a viable community for the purpose of kind of eliminating that tax credit instead of just anything that was under 3000 they had drafted for us. A viable community under 2,000 works for me but maybe we put some kind of a bottom number on it like 500 or whatever and give the Dept. of Commerce the ability to determine whether an intercommunity has level of viability before we start pumping tax credits into them in between that range between 500 and 3,000. it as to mean that they have some kind of basic services already in terms of grocery stores, convenience stores or some minimal health care facilities or whatever

**Sen. Tollefson**: would the definition of a city where it has a city government, a post office, that would be a good definition of a viable community.

**Sen. Triplett**: some of these communities I think cling onto their post office until the very last moment if they can and there are a lot of post office communities out there that really aren't viable communities I think.

**Sen. Cook**: I'm just thinking that a viable community is a community under 3000 that has a high school with at least so many students in it.

**Sen. Oehlke**: what about the business that wants to locate just outside the city limits of the town or in the township, they are certainly part of the community but they might not be inside the city limits. There are certainly many rural communities that have those type of ventures and they might be home businesses in some regard or they might just be established a mile or so away but they still contribute to that community. I'm not sure why we are limiting it to cities of 3000 or less population however you figure out. Any city that's got 3000 population believe me is going to have enough stuff there to make it a city. 3000 is a pretty big city.

**Sen. Triplett**: it could get down to zero theoretically that's why we need to have a bottom on it.

**Sen. Oehlke**: the problem with drawing the line is then you beat em up even more. There is no chance for em to come back. They'll never get there and just keep deteriorating.

**Sen. Anderson**: two things, I just had the clerk look up how many counties are under 10,000 and of the 53 there is 40, so maybe if you wanted to put something in about in a county of 10,000 or less. My home town of 250 people is very viable but some nearby ones that aren't as viable. I look it as the person who does the plumbing and heating there is getting older and if somebody wanted to come in and start up a new one they might be able to take advantage of something like this. I thought it was a good idea when I heard it just with my own personally experience.

**Sen. Horne**: I think we are going to have a hard time describing who should be eligible based on viability I agree with Sen. Oehlke on not to close the door on a community trying to make a difference and a come back. I think we should just approve the bill and let the course of economics sort it out.

**Sen. Tollefson**: I agree with Sen. Horne, defining viability is a very difficult thing to do. You can't.

