

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2081

2007 SENATE FINANCE AND TAXATION

SB 2081

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2081**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 15, 2007

Recorder Job Number: # 1062

Committee Clerk Signature

Sharon Penrow

Minutes:

Sen. Urlacher called the committee to order and opened the hearing on SB 2081.

Donita Wald from the Tax Dept. appeared in support with written testimony, a proposed amendment and handout on Agricultural Commodity processing facility investment tax credit program form. (See attached)

Sen. Anderson: What is the credit that we are talking about and who are the investors and why this came about?

Ms. Wald: this tax program was created to provide an investment or a capital raising tool for agricultural and commodity processing facility to ethanol farms. It originally was limited to investors who were individual tax payers and pass through entities who could then pass through that tax credit to their individual owners. One thing I forgot is by removing, by adding the language clarifying that 10 businesses can be qualified for each year, I forgot to repeal the one that limited it as a life time. 10 year qualification period, so we are proposing to take care of that, it's a small repealer.

Sen. Anderson: so it was developed for economic development in ND to encourage people to build these plants.

Sen. Urlacher: now when they reach that cap of the numbers that are eligible, do they have to wait until the next biennial then to reapply?

Ms. Wald: the way the law is currently, if we meet that 10 cap, no further businesses will qualify for this investment program. We are proposing that that can change to 10 qualified businesses per calendar year.

Sen. Horne: do I understand that 5 million 700 thousand dollars plus has been allocated in tax credits to benefit agricultural production in ND?

Ms. Wald: yes

Sen. Triplett: you mentioned to date that there is only 4 businesses that have qualified, can you tell us who these are?

Ms. Wald: I cannot tell you that because we are bound by confidentiality but Mr. Lucy from the Commerce Dept. can.

Sen. Cook: the amount of the credit you wish the tax payers entitled is 30%, that's 30% per year or is that 30%, if you invest 100,000, the credit is limited to \$30,000 in one calendar year.

Ms. Wald: Yes but there is a lifetime investment maximum of \$50,000. A lifetime max of \$250,000 in credits. And \$50,000 per year.

Sen. Cook: you make a 100,000 investment, over the course of all these years, you get to take the tax credits, its not going to total the tax credits that your allowed is not going to total more than \$30,000.

Ms. Wald: that's correct!

Sen. Cook: when was the total of 10 put on? Last session?

Ms. Wald: last session. The reason for that was that a number of businesses were transferred from the seed capital to this program was a way that I think they thought would limit fiscal effect.

Sen. Anderson: the limited fiscal impact, you say with 10, but we never had that money before. Why is it limited?

Ms. Wald: the business never had the money, the investor did.

Paul Lucy: from the Dept. of Commerce appeared to answer Sen. Triplett's question from earlier. There was a number of projects that agricultural commodities _____ that received a tax credit _____ tax credit in the past that were transferred into agricultural commodities tax credit. Those projects were grandfathered in from what I understand are not a part of the, do not get included in the 10.

Joel Gilbertson: on behalf of the Grain Growers Assoc. and the ND Ethanol Producers Assoc. appeared in support and submitted a proposed amendment. (See attached) What this amendment does is allows you to carry over to 10 years.

Sen. Cook: It sounds to me from what I hear that ethanol plants are pretty profitable right now, if so, do we need to question whether or not pay taxes _____ needs to be applied as a carrot to get ethanol plants or is there enough financial incentive for them to rebuild on their own?

Mr. Gilbertson: I can tell you that groups that are interested in getting ethanol plants that are working now on getting ethanol plants started that is changing quickly. The costs are jumping dramatically, in a year from now it could be totally different.

Sen. Urlacher: what has driven that cost?

Mr. Gilbertson: primarily there are a number of things, as I understand it Fagan Co. is the primary contractor for these plants and they are way behind and their cost of the products, equipment has sky rocketed.

Sen. Cook: is there a point where we could have too many ethanol plants built and that supply and demand and profitability of these plants could go down too?

Mr. Gilbertson: It could certainly happen but not anywhere close to that happening yet and what is happening is the popularity of building ethanol plants now has also created an economic incentive as this moves forward.

Sen. Anderson: my personal feeling is that we're behind, we're catching up but we need the encouragement.

Sen. Tollefson: It's right as long as the market is there for it. If the markets changes and it does change quickly, I would think the investors are wondering if this is going to be good.

Sen. Cook: You said that there were 7 that were grandfathered in and then you referenced two other projects and you called one of them Natural Beef, that doesn't sound like an ethanol plant to me

Paul Lucy: actually they are available to agricultural commodity processing facility and so it would include any kind of project that is processing in ND _____. There is ethanol plant.

Sen. Oehlke: If it does anything negatively impact something down the line is there anything in this where those folks could apply for similar credits? Ethanol is more corrosive than regular fuels are, it may be necessary for people who have gas stations and pump ethanol to upgrade and change their equipment so that it doesn't corrode or deteriorate as quickly as if they didn't make those changes. So the impact of ethanol down the line will force some of those changes, what I'm wondering is if there is any way for those folks to get similar benefit as the initial plants?

Paul Lucy: on the surface I wouldn't necessarily see a company like that qualifying for any of these seed capital investment tax credits.

Sen. Cook: made a motion to **move the amendments by the Tax Dept.**, seconded by Sen. Triplett. Voice vote: 7-0-0, amendments adopted.

Sen. Triplett: made a motion to **move the amendments by Joel Gilbertson**, seconded by

Sen. Horne. Voice vote: 7-0-0, amendments adopted.

Committee will wait to act the bill until a rough draft can be drawn up to see what the bill will look like with the amendments.

Meeting adjourned.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2081**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 16, 2007

Recorder Job Number: # 1164

Committee Clerk Signature

Sharon Kenyon

Minutes:

Sen. Urlacher called the committee to order to see if further action could be taken on SB 2081.

Donita Wald: from the Tax Dept. appeared with the mock bill that contains the amendments that the committee adopted earlier. (See attached)

Sen. Horne: made a **MOTION of DO PASS AS AMENDED**, seconded by Sen. Anderson. 7-0-0. Sen. Oehlke will carry the bill.

Meeting adjourned.

FISCAL NOTE
Requested by Legislative Council
03/05/2007

Amendment to: Engrossed
SB 2081

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).*

Engrossed SB 2081 with House Amendments simplifies some of the procedures for certification of qualified businesses and calculations of the agricultural investment tax credit.

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.*

The provisions of Engrossed SB 2081 with House Amendments may accelerate the claiming of certain tax credits, but will not change the total amount of credits available to a taxpayer. The number of qualifying businesses may grow to ten per year, under the provisions of the bill. How many new businesses may become qualified and any associated tax credits are 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.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	03/06/2007

FISCAL NOTE

Requested by Legislative Council

01/18/2007

Amendment to: SB 2081

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).*

Engrossed SB 2081 simplifies some of the procedures for certification of qualified businesses and calculations of the agricultural investment tax credit.

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.*

The provisions of Engrossed SB 2081 may accelerate the claiming of certain tax credits, but will not change the total amount of credits available to a taxpayer. The number of qualifying businesses may grow to ten per year, under the provisions of the bill. How many new businesses may become qualified and any associated tax credits are unknown.

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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.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/19/2007

FISCAL NOTE
Requested by Legislative Council
12/27/2006

Bill/Resolution No.: SB 2081

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).*

SB 2081 simplifies some of the procedures for certification of qualified businesses and calculations of the agricultural investment tax credit.

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.*

The provisions of SB 2081 may accelerate the claiming of certain tax credits, but will not change the total amount of credits available to a taxpayer. The number of qualifying businesses may grow to ten per year, under the provisions of the bill. How many new businesses may become qualified, and any associated tax credits are 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.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/12/2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2081

Page 1, line 3, after the semicolon insert "to repeal subdivision d of subsection 3 of section 57-38.6-01 of the North Dakota Century Code, relating to the number of businesses eligible for certification;"

Page 3, line 1, overstrike "five" and insert immediately thereafter " ten"

Page 4, after line 2, insert:

SECTION 3. REPEAL. Subdivision d of subsection 3 of section 57-38.6-01 of the North Dakota Century Code is repealed.

Page 4, line 3, replace "3" with "4"

Renumber accordingly

Date: 1-16-07

Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2081

Senate Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Sen. Horne Seconded By Sen. Anderson

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Anderson	✓	
Sen. Tollefson	✓		Sen. Horne	✓	
Sen. Cook	✓		Sen. Triplett	✓	
Sen. Oehlke	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Oehlke

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

REPORT OF STANDING COMMITTEE

SB 2081: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2081 was placed on the Sixth order on the calendar.

Page 1, line 1, after "reenact" insert "subsection 3 of section 57-38.6-01 and"

Page 1, line 2, after "to" insert "the definition of and"

Page 1, after line 4, insert:

"SECTION 1. AMENDMENT. Subsection 3 of section 57-38.6-01 of the North Dakota Century Code is amended and reenacted as follows:

3. "Qualified business" means a cooperative, corporation, partnership, or limited liability company that:
 - a. Is incorporated or organized in this state after December 31, 2000, for the primary purpose of processing and marketing agricultural commodities capable of being raised in this state;
 - b. Has been certified by the securities commissioner to be in compliance under the securities laws of this state; and
 - c. Has an agricultural commodity processing facility, or intends to locate one, in this state; ~~and~~
 - d. ~~is among the first ten businesses that meets the requirements of this subsection, but not a business that was previously certified as a qualified business under chapter 57-38.5."~~

Page 3, line 1, overstrike "five" and insert immediately thereafter "ten"

Renumber accordingly

2007 HOUSE FINANCE AND TAXATION

SB 2081

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2081 A

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 26, 2007

Recorder Job Number: 3800

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on SB 2081 and asked the clerk to take the roll; everyone was present except Rep.'s Brandenburg and Kelsh. He asked for testimony in support.

Donnita Wald, Legal Counsel for the Tax Dept.: (See Attachment #1)

Chairman Belter: changing from the 5 to the 10 year, what was the reason for that?

Donnita Wald: The amount of credit because of those 50% limitations and you couldn't take more than the 50% of the tax credit and you couldn't take more than 50% of your tax dollar authority, so what happened was people weren't able to use the full credit within a 5 year period so they wanted to extend that.

Chairman Belter: Because they didn't have enough income?

Donnita Wald: Yes, or tax liability.

Wade Moser, ND Stockman's Association: We're here to support this Bill and I have some proposed amendments for you. **(See Attachment #2)** We've also worked with the Commerce Dept. and the Tax Dept. and the fact that Donnita was very helpful in drafting the language that we're looking at. There are two amendments. The clarifications that we would like to have and the first one has to do with what a qualified investment is. In most cases we have real estate that is being considered to be used as part of the investment and it's really unclear at this

point. It doesn't state in the law that that's allowable in visiting with the Tax Dept. and Commerce, they didn't seem to have a problem in doing that, so actually real estate is being considered as a qualified investment. The second part of it in section 3, on page 4 of the engrossed Bill, we're just adding the language to item number 7, the last part, and then 8 would have to be renumbered on the Bill. This gives further clarification and I believe we'll probably need to add some additional language to help clarify it further.

Chairman Belter: So what you want with these amendments then is that there has to be an Ag business on that land?

Wade Moser: Yes, that's correct. Either the land or a building. In the case that we're looking at, it's the ND National Beef has got an opportunity to get a building adjacent to the building that's already purchased, they want to sell and actually what's going to happen is, they would like to take stock in the company in exchange for the building. We agree that it needs to be an appraised building and qualify in that way, to make sure that it's a fair value. So an appraisal is going to be required and then they would be able to take stock in the Company and then be eligible for the Investment Tax Credit.

Deana Wiese, Administrator of the ND Ag Coalition: (See Attachment #3)

Chairman Belter: Is there any other testimony in support? Any opposition?

Donnita Wald: We did help assist in the drafting of these. When the issue first came to us we believe that the statute did not intend for contributions of real property or any other kinds of property to be eligible for the tax enhancement. We drafted these so that they would be tight enough so other kinds of property wouldn't be involved. So we believe what we've done here is draft something that's nice and tight and applies only to real property and buildings. The amendments also protect the shareholders. In order for us to properly administer this tax credit

we would like to add some language that requires that they provide a copy of the appraisal and copies of the accompanying form

Chairman Belter: Do you have language prepared?

Donnita Wald: No.

Vice Chairman Drovdal: I have to admit that I don't understand this too well, but we're talking about a corporation in here owning an Ag processor, that appropriation could be an out of State corporation. Lands donated to them, wouldn't that be in violation of our ND laws about non Ag owned by a corporation other than the family farm?

Donnita Wald: I don't know the answer to that.

Chairman Belter: Any other questions? Any neutral testimony? If not, we'll close the hearing on SB 2081.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2081B

House Finance & Taxation Committee

Check here for Conference Committee

Hearing Date: 2/26/07

Recorder Job Number: 3875

Committee Clerk Signature

N. Penrose

Minutes:

Rep. Belter: We will take a look at SB 2081. We are waiting for amendments.

Rep. Pinkerton: Can we discuss 2081. As far as I can tell, there is no cap on this bill.

Rep. Belter: This is the Agribusiness investment credit bill. The bill that we heard today.

There is a cap of \$250,000. It would be the same as the bill we had on the Floor last week.

Rep. Pinkerton: No taxpayer can take more than \$250,000.

Rep. Belter: But a taxpayer could be the corporation.

Rep. Pinkerton: It could be multiple corporations getting it?

Rep. Belter: But only one \$250,000 tax limit on each qualified...

Rep. Pinkerton: Is it each qualifying investment...

Rep. Belter: Page 2, the director shall certify whether a business has requested to become a qualified business and meets the requirement, so \$250,000 per business, not per investor; if you only have one investor, he'd get all of it.

Rep. Froseth: Per business not investor.

Rep. Pinkerton: On page 3, line 7-12, doesn't that pertain to the maximum annual credit a taxpayer may obtain under this section is \$50,000 and no more than \$250,000. But that's not the business that's each individual taxpayer.

Rep. Belter: Correct.

Rep. Pinkerton: So if you had multiple corporations that went together on this...

Rep. Grande: It talks about here, it's a taxpayer qualified investment of that business, and it's a whole different section...

Rep. Belter: What is your concern again.

Rep. Pinkerton: Like these ethanol plants, if you had multiple investors and corporations where the limit is \$250,000 per investor, as far as I can see there is no limit as far as the business itself. An ethanol plant that cost \$100 million dollars, if you had corporate investors, (can't hear).

Rep. Belter: Maybe it isn't feasible. The amount, look on line 1, the amount of the credits which a taxpayer is entitled is 30% of the amount invested by the taxpayer in a qualified business during the taxable year. I am assuming the corporation is eligible for the tax credit.

Rep. Pinkerton: A corporation that would be part of the business and energy would be eligible for up to \$2 million dollars in tax credit.

Rep. Belter: Yes.

Rep. Pinkerton: So if you had multiple partnerships, they could all qualify (can't hear).

Rep. Grande: I'm trying to figure out the fiscal note, and I realize it's kind of one of those vague things, how do you know how many people participate, if you've got a lot of people that were to invest in this, you've got all those tax credits for them to come out that are not going to be part of this income. I would think that there should be some kind of a number for us to work off of. There are a lot of unknowns here.

Rep. Drovdal: On page 3, section 5, it talks about an investment may be out of a retirement plan and will be deemed to be a retirement plan for purposes... will somebody walk me

through how that would work. I don't understand retirement plans, or why they would want it as part of a retirement plan or consequences of that particular situation.

Rep. Belter: Well, they are just saying that if you wanted to take your retirement plan and put it into one of those investments that would be allowed.

Rep. Drovdal: So if the retirement plan is taxable....

Rep. Belter: Some are pretax and some aren't.

Rep. Owens: That doesn't matter since the tax credit is against any tax liability, so it doesn't have to be against profits from your retirement. If you get the tax credit because you have a qualifying thing that you self-direct and you want to invest, in order to get the maximum amount here, you'd have to invest \$833,000+ or \$250,000 to get 30% and then you turn around and you can only do \$50,000 a year in your tax credit. In order for you to get the full tax credit, your tax liability has to be \$50,000 because if your tax liability is only \$10,000, you only get to deduct \$10,000. So I don't think we ought to get hung up on the \$50,000 or \$250,000 because as an individual, the only place this might come in is with the corporations.

Rep. Grande: We don't have a lot of individuals that are able to take that.

Rep. Froseth: The Corporation is still only one entity.

Rep. Belter: Right.

Rep. Pinkerton: The business entity isn't limited at all, it is only the individual that gets a portion of the corporation, such as an S-Corp. So if multiple partners that go into these things...

Rep. Belter: If it is a straight corporation, it's going to be the one that's eligible for the tax credit, if it's a subchapter S, then all the individual investors could be eligible.

Rep. Pinkerton: Limited liability...

Rep. Froseth: In the Century Code it reads as follows: "In any taxable year, a taxpayer may claim no more than 50%", then it defines a taxpayer in the previous section, a taxpayer means an individual, estate, trust corporation, partnership or limited liability company.

Rep. Pinkerton: So any business entity can be a taxpayer there, and there is a limit to what individual taxpayer can take a tax credit, but there's no limit on the number of individuals.

Rep. Belter: No.

Rep. Pinkerton: There are two bills that are similar, this one and the one that we went through the other day, is very similar. The one from the other day does have limits on it, on how many dollars, like \$5 million dollars per year. This bill has no limits.

Rep. Belter: No, I think the reasoning behind no limits, is because I don't think there is a great fear that there is going to be a huge amount of companies started that qualify for the Agbusiness investment. It isn't like...I mean, sure we have some of these ethanol plants that are coming online, which we want to come online, but there probably isn't that much concern that there are going to be so many and that it's going to break the state. The spin-off from all of those being started is going to far outweigh the tax law. That's why the legislature has been willing to take the risk.

Rep. Headland: If I understand you correctly, doesn't the fiscal note say that the number of businesses under this bill, can only grow to 10 in a year.

Rep. Belter: It's in Century Code, that's right. There's your limiter.

Rep. Pinkerton: Even if one of the businesses that you had was like a \$3 million dollar tax credit being used, (can't hear). The tax return is confidential, the Dept of Commerce and Tax Department, the Commerce department can't look at the numbers. How do we make sure that it does what it is supposed to (can't hear).

Rep. Headland: I can't dispute that. These investments are risky. Honestly, I've lost every penny I've ever invested in one of these. I don't people are going to do this.

Rep. Belter: Of course, it doesn't make any difference whether you make money or not on that investment as long as..

Rep. Headland: But people aren't going to invest just so that they get a tax credit.

Rep. Belter: No.

Rep. Grande: Did you discuss the amendment while I was out.

Rep. Belter: No we didn't discuss any amendments, we're waiting for more amendments. Donnita is to be bringing more amendments. We will take this up later.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2081C

House Finance & Taxation Committee

Check here for Conference Committee

Hearing Date: 2/26/07

Recorder Job Number: 3879

Committee Clerk Signature



Minutes:

Rep. Belter: We will take a look at the amendments.

Donnita Wald, Office of State Tax Commissioner: This is a combination of what Wade Moser presented and what we asked to be placed on the amendments. The first amendment, a new subsection 4 was in Mr. Moser's amendment. So now it defines a qualified investment as a cash investment or a contribution for real property. There's no change from what he proposed. The rest of the amendment, on page 3, line 10, real property that qualifies as an investment must be used in, and be an integral part of the qualified business's as a North Dakota business operations. We want to make sure that the contributing property in ND, not a building or property in MN is a company's headquarters, so that is what that is in there for. The new subsection 8 puts on some additional clarification limitations on investments of real property. If the investment is a contribution of real property, subsection (a) the value of the contribution cannot exceed the appraised value as established by a licensed or certified appraiser; (b) the value of the contribution must be approved by the governing body of the qualified business applying the valuation standards set forth in subsection 3; (c) is the part that we requested that requires the qualified business receiving this real property contribution to provide documentation to us, that being a copy of the appraised valuation, a copy of the

