

2009 HOUSE FINANCE AND TAXATION

HB 1512

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1512

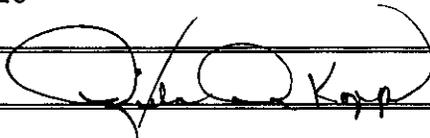
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 2, 2009

Recorder Job Number: 8320

Committee Clerk Signature



Minutes:

Chairman Belter: We will open the hearing on HB 1512.

Representative Keith Kempenich: HB 1512 was brought to us by some instances we have had in the western regions of the state. What it basically does is recognize some of the taxes that are paid by Montana. Their tax system is a little different than ours. In other states that do have sales tax or excise taxes, we do recognize some of the amounts that they pay when they move into North Dakota. What we are finding out in Montana is that when Montana residents come to register their vehicles, none of the taxes that they pay are recognized in this state because they don't have a sales tax. What this bill does is recognize (I have a table on an Excel worksheet which I couldn't get printed) and give you a comparison on what the difference would be on Montana versus ND. There isn't a lot of tax that would be comparable to vehicles because in Montana the county collects more of their taxes than the state does. But what we did do was sit down and compare different vehicles and recognize a couple hundred dollars that would be comparable to an excise that Montana does pay. I don't know about the fiscal note; I was kind of surprised that we have that many people moving back and forth in the state, people moving from Montana into ND. I guess is debatable if we would lose that much revenue on Montana residents moving into the state. That is how they came up with

this number. That is what the bill is doing; it recognizes some of the taxes that were paid through the year in Montana taxes, but we would recognize—basically we are trying to get these people to register in the state of ND. What is going on now is they are keeping their plates so we are not getting this money anyway for the most part.

Chairman Belter: I can see your point. I am assuming you introduced this to give an incentive to get people to license in ND.

Representative Kempenich: That is kind of what it is. The person who got ahold of this, there has been an issue all along on it, but that is basically what it is. It was brought up this last fall with somebody in Representative Drovdal's area that was complaining about what they paid and none of it got recognized. As we checked around through the Tax Department and DOT, when they go to register they do recognize South Dakota's sales tax or excise tax and they do recognize some of the tax paid in that state. This is what we were attempting to do to give a little bit of an incentive to have them register their vehicles in ND. What is going on now is that they are going back over into Montana and renewing their plates over there. Actually over the course of the year, over a ten year period, our tax is about the same amount of money reflecting on (it is just a different system) what it costs to register and everything. We are not talking about registering and licensing; we are just talking about excise tax. We are a little cheaper on the newer vehicles, but ours stay on longer so in the end over a ten year period, we pay about the same amount of money.

Representative Weiler: This was meant to be an incentive for the people in those states that move here to register their vehicle? Is my understanding correct? Would the purpose then, would it be a hope that we would actually increase the amount of tax that we take in? If we have more people registering their vehicles here, hopefully our excise tax or whatever tax it is,

that would increase; but if this turned out to be a \$460,000 loss to revenue. Is this a surprise to you that the fiscal note is a negative instead of a positive?

Representative Kempenich: I guess I didn't realize how many people moved over; I didn't realize there were that many Montana...I notice it more on the other side of the coin—they move over to Montana and come over here on the ND side. It is probably a lot of energy related stuff. I didn't think there was quite that much activity of Montanans moving over into the state of ND. I think where we gain on it would be on the registration side of the coin for vehicles. Right now a lot of people who live right along the border are running on Montana plates. That is against the law, but we don't have any enforcement.

Representative Weiler: Do you believe with what we are going to gain on the registration side that this fiscal note is a little inaccurate?

Representative Kempenich: I think it is a little bit wrong as far as what we would actually lose on it. I think on a \$25,000 vehicle, it would only be like \$178 we would lose that we would give a credit to and that they would pay on a \$35,000 pickup, it was \$200 some. That is quite a few vehicles over a two-year period.

Representative Headland: Forgive me for not being able to completely follow you here, but is what you are saying is that when somebody moves here from Montana, we charge them an excise tax to transfer?

Representative Kempenich: Basically they pay just like they had bought the vehicle again. They pay the full amount. It is just like they went and bought the vehicle in this state and paid the whole amount. If your tax on a \$35,000 vehicle is \$4,000, they pay \$4,000 again. They are coming out of a state that doesn't recognize sales tax so that is where it is coming in but

they are paying some tax on the vehicle in Montana. It is personal property and that is what they are able to identify. You know it isn't a lot, but on a \$35,000 vehicle, it was a couple of

hundred dollars which was recognized when John Walstad was doing some of his analysis.

They recognize a couple hundred dollars.

Representative Weiler: OK, I think I got you so who determines the value of a vehicle? What if it is 20 years old?

Representative Kempenich: The Tax Department would have to answer that; but I think it is basically based on the book value.

Representative Kelsh: This happened to me a long time ago. I moved back to South Dakota and had a leased car on which I had to pay sales tax. In North Dakota when I went to register, they billed me for the whole excise tax, the whole value of the car again. My question is how will other states treat ND when people move to Montana and they relicense? Will they assess that personal property tax? Are they required to pay some sort of tax?

Representative Kempenich: I think they are. It is not a "like for like" tax; that is where you run into trouble. It depends on the year of the vehicle. In Montana it depends on the year of the vehicle because it is more the value and you pay that out, but it is personal property tax. In Montana you would actually end up paying less. You would pay something on it, but it would be what they recognize as sales tax. You really wouldn't pay anything on it. You would be charged on the personal property part of it, what we were able to identify (it would be related to our excise tax)—a couple hundred dollars. It depends on the value of the vehicle but their system is a little different than ours because the county does a lot more of the collecting than the state does. It gets a little convoluted as far as that goes. You sit in Montana for two days on a road or a street and if your vehicle has a ND plate on it, the county sheriff will be putting a sticker on your window to let you know you probably ought to be stopping down at the courthouse. It is more of a personal property issue with them. The way it works, it depends on the value of the vehicle. Like I said, on a \$30,000 outfit, about \$200 was what it would go to.

Chairman Belter: We can probably have Myles explain some of these tax issues. Any other questions of Representative Kempenich? Further testimony in support of 1512?

Representative Drovdal: As Representative Kempenich did point out, we did bring this forward because of some of the problems we have with people coming into the state, some of the complaints that we have. We did highlight one particular case because it is easy to relate to, but it is not a single case issue. We have a lot of issues with licensing along the Montana/North Dakota border. Workers coming into ND seem to be able to come in, live in ND for a year or two, and nobody enforces our laws. As Representative Kempenich pointed out, ND workers that go to Montana; it is not the third day, the second day that rig is up, there is a sheriff's department person sitting on the road. If you don't have a Montana plate, you go get one. They get another plate and put it on. In ND you can't go buy another plate; there is some certain procedure to get one. Nobody is enforcing it. You can live in ND for years and nobody will enforce it unless you happen to be picked up for some other reason. I know that for an absolute fact; I have seen it over the last 30 years in western ND. The idea of this bill though is a fairness issue and I do question the fiscal note. I am really glad to see that we have that many people coming in from the few states this would actually apply to. This would only apply to states that do not have sales tax and we know that all states receive revenue at a per capita cost. They have expenses they have to pay. Some do go to personal property; some do sales tax; some do income tax. There are numerous methods of taxing your people and we are very good at figuring it out. In the legislature, we do that; but Montana doesn't happen to use sales tax as Alaska and three other states that don't. What this does is say that if they buy a vehicle when living there and they move to ND, we are not going to hit them for the full amount because they are paying some of Montana's per capita cost the years they lived there. The only formula we could come up with was a half a percent a year. Why do I

question the fiscal note? I am glad there are 1500 people coming in from these five states; that would make ND grow by leaps and bounds right now, which our census has not been backing up. Number one, they are not registering in ND, are they paying sales tax in ND and are they paying income tax in ND? They are driving in ND; they are using the highways; they are using our services; they are using anything else but they may not be paying at all because nobody supports the law we have. That may change the fiscal note considerably right there. The other thing would be how do you determine it? I see that the fiscal note shows a \$10,000 average vehicle; this particular one that called us had three vehicles and moved into the state to take a job in the oil field, went down to licensing and not only was he required to pay \$100 per vehicle or whatever the cost happened to be to get a ND license, but he was assessed at the current market value. A lot of the vehicles we have out there because of the road and four wheel drives, \$10,000 is a pretty low value; but even at \$10,000, that is 5% times \$30,000—that is \$1500 at a crack. Welcome to North Dakota, people; we want you to come. By the way, here is a \$2,000 bill just to move into our state along with everything else. That is not the message I think I want to convey to them so I thought this was something we should probably take a look at. Therefore, I brought it for your attention. I guess I did answer Representative Kelsh's question about the credit for their home sales tax; they don't have a sales tax but in states that do have a sales tax or excise tax like ours, they only pay the difference. If theirs is 4% and ours is 5%, I believe it is 1% of the value of the vehicle when they come. But then the other point of the value of the vehicle—let's say they buy a vehicle for six months and they end up getting transferred to ND, they pay on the current value of that vehicle. What if they had bought it in ND? They would have paid on the difference of that vehicle and what they traded in. They might have paid more sales tax than what they paid for the cost of the vehicle. I think there is room for us to take a serious look at this; I don't think our current law is quite fair. I am

sure the Tax Department will fight for all the dollars they can in this job. I will yield to any questions.

Chairman Belter: Does Montana have one or two plates on their vehicles?

Representative Drovdal: If they are registered in Montana and work in ND—if they live in ND and work in Montana, they will end up with two. Other than that, I don't know. If you live in Montana, you cannot buy another plate.

Chairman Belter: But I mean does Montana require a front plate on their cars?

Representative Drovdal: I believe they have two. I am sorry, I misunderstood.

Chairman Belter: Any other testimony on 1512? Any opposition to 1512? Any questions of the Tax Department on 1512? Myles, do you think our two distinguished legislators explained it so the committee can understand it?

Myles Vosberg with the Tax Commissioner's Office: I think they covered it. Basically anyone that moves into the state with a vehicle that is already registered is required to register and pay tax on the fair market value of that vehicle when they move here. If they move here from a state that has a similar sales or excise tax, they get credit for whatever tax they have paid in that other state. Generally speaking, unless our rate is higher than the rate they move from, they don't end up paying any tax when they come here; but if they move here from a state where they do not have a similar type tax (that's where the problem is here with Montana; they have a personal property tax rather than a sales or excise tax on their vehicles), they don't get any credit. There is no reciprocity agreement between the states. That is the issue for the people moving here from Montana.

Chairman Belter: Now in the case of South Dakota, isn't their tax rate lower than ours?

Myles Vosberg: Mr. Chairman, I believe their state rate is 4%.

Chairman Belter: So then when a South Dakota car comes over, do we charge them a percent more?

Myles Vosberg: Mr. Chairman, they would pay 1%, their 4% versus our 5% on the fair market value of the vehicle at the time it moves into the state.

Representative Froelich: How does it work when it is the other way around? Do they get some money back?

Myles Vosberg: No. North Dakota residents that move to Montana get no credit, again because it is not a similar tax. Every year they end up paying their...

Representative Froelich: What I am getting at is let's say New York has 7% sales tax, and then when they move here it is 5%. So their tax is higher but we don't credit them?

Myles Vosberg: We do not.

Representative Winrich: The personal property tax in Montana for example goes on the value of the vehicle, but then there is a certain tax rate involved, is there not? It is taxed at a percentage...

Myles Vosberg: I believe their personal property tax goes up to 2% so each year they pay that tax on the current value of that vehicle. They have a schedule that depreciates a certain percentage each year. It could be as much as 2% a year I believe.

Representative Winrich: What I am getting at is the way the bill is written, it just says if there is a personal property tax, we reduce it by half a percent. When someone moves in from a state with a sales tax, we take into account what the tax rate is and deduct what they have paid. If there is a personal property tax, we are simply applying a flat rate regardless of what the tax structure is. Is there a rationale for that?

Myles Vosberg: I am not sure exactly what the thought was behind that. I believe the formula using a half percent each year would be easier than having that individual bring all their

receipts in. If they had a vehicle for five years, they would have to bring in their property tax statement or something and add up the dollar amount. Rather than have the person, if they didn't have their records any more, it would be more difficult for them to document the amount of tax they actually paid so I believe they used a formula instead.

Representative Pinkerton: What happens when there is a work over rig or a fracking (?) truck worth a million dollars, does that get taxed at the full excise rate or is there some allocation because it is a vehicle part or equipment part?

Myles Vosberg: If the individual is not moving here or that vehicle is not going to stay here; if it is only here temporarily because it is part of a business, then there is no tax on that vehicle. This would only be for vehicles where individuals are actually moving here or a business that is going to use that vehicle here on a full-time basis, and then they need to register it and pay ND tax.

Representative Headland: What happens if they move here and choose not to reregister it, but they trade for a ND vehicle? They are paying the ND excise tax on their new purchase. Do you charge them back tax for their trade that they have been driving for a couple of years without it?

Myles Vosberg: That is a good question. I am not sure. I don't know that we would question that or not. They would certainly get the trade in and pay tax on the difference. Whether they would actually have to title it here in ND before they could do that trade in, I could follow up with the DOT and see what the process is. I guess probably not, but I don't know that for sure. I can follow up on that.

Representative Schmidt: What would happen if I went to Montana and bought a truck for \$40,000 and brought it back to ND and registered it in ND? Would I get this discount?

Myles Vosberg: Not if you hadn't licensed and titled it in Montana. You bought it there, but brought it into ND immediately for registration; there would be no credit.

Representative Schmidt: It just applies to Montana residents?

Myles Vosberg: That is correct.

Representative Drovdal: Myles can you tell me this rule of charging sales tax in a non-taxable state, is that something we passed as a legislature or is that an administrative rule and when did this go into effect? Do you know?

Myles Vosberg: There is a provision in the law that provides for reciprocity for a tax paid to another state so it is within the tax (inaudible).

Chairman Belter: Any other questions? Any other testimony on 1512? If not, we will close the hearing on HB 1512.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1512

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 2, 2009

Recorder Job Number: 8384 (Also includes HB 1388)

Committee Clerk Signature

Minutes: (14:34)

Chairman Belter: Any thoughts on this bill?

Representative Pinkerton: This sounds like a reasonable bill to me if we can make it work.

They have a different system coming into the state.

Representative Schmidt: We have had trouble in the Transportation Committee with license from Montana. I think this would help correct that.

Representative Drovdal: Representative Kempenich gave me a printout. He took a \$25,000 Chevrolet Impala and put in on the North Dakota registration and motor vehicle excise tax for an eight-year period. At the end of the eight years, the North Dakota resident would pay \$1,976.50. That same vehicle in Montana for registration, title fees, etc. would cost \$2,008 during the same period. They actually paid out more so there are other costs they are paying. They are paying their fair share of taxes out there and we should give them credit for that when they come into the state.

Representative Weiler: It is my understanding that currently we do not recognize taxes paid by people in other states. This is a tax break that is going to go to people moving here from another state. Is that correct?

Representative Drovdal: This affects five states that have no sales tax. We are giving them some credit for the years they have paid other types of taxes in those five states.

Representative Weiler: When you say we are giving "them" a tax break, you are talking about people who move here from another state. We are not giving anything to North Dakota residents.

Representative Drovdal: That is true. People coming in would register their vehicles that had been registered in other states first.

Representative Weiler: We are going to spend \$460,000 this biennium and \$460,000 next biennium and no North Dakota resident is seeing a benefit.

Representative Drovdal: I question the fiscal note because these people coming here are just not registering their vehicles. We are losing the money regardless. The fiscal note is based on the fact that there would be 1500 vehicles registered from these five states. We certainly hope that that is the number. If we have people coming in from the other 45 states like these five states, we would have three times the population we currently have. A question raised in the testimony was whether that fiscal note was correct or not.

Representative Grande: These are people who just moved to North Dakota. These are our new residents that would be getting a tax break. These are new North Dakotans who would get this tax break.

Representative Weiler: That's a good explanation. Thank you.

Chairman Belter: We are trying to entice these people to register their vehicles here. Otherwise they will just keep their Montana license plate.

Representative Weiler: If they are currently not registered in North Dakota, we are seeing no revenue. If they are going to start registering their vehicles in ND, how can this be a deduction in revenue? I don't get it.

Representative Pinkerton: I would like to see this bill amended so it would include only non-commercial vehicles so we don't have commercial oil vehicles coming in. I too think it clears up some problems.

Representative Froseth: Don't we have a law that says if you bring a vehicle registered in some other state and are employed in ND, you have to register that vehicle in 30 days?

Representative Drovdal: Maybe the Tax Department can explain this; but as I understand it, the only way you can get a ND license plate is have a ND title. If you are a Montana resident, you aren't going to do that. You can't get a license here unless you have a title here.

Chairman Belter: Dan, do you have any insight on this? What are the rules as far as residency? If you come here to work, you don't have to become a resident in 30 days.

Dan Walstad, Tax Department: That is correct. Beyond that, I would want to refresh my recollection, but I can get Myles who is just down the hall. I'll be right back.

Representative Grande: 57-50.3—2—Is that just personal vehicles? That doesn't include commercial. That might solve that.

Chairman Belter: Myles, we are looking at Representative Kempenich's bill.

Representative Grande: Does this deal with only personal vehicles or are we dealing with commercial vehicles? If I live here for 30 days, do I have to get my license?

Myles Vosberg, Tax Department: Dan was going to check into registration law, but I believe that you have to, if a person moves here to become a resident or stays here for longer than 30 days, I think he has to register. As far as the business versus the personal, the law applies to all vehicles that need to be registered for use on the streets and highways so the law applies to all commercial and residential. This bill does not make a distinction. If a vehicle were to be brought here for use for more than 30 days, then the registration and excise tax requirements would kick in.

Representative Pinkerton: Because of insurance reasons, if they are operating in the state, they have to have a license.

Chairman Belter: What we need to clarify is whether we are talking about private vehicles, commercial or both. You don't want to include a commercial vehicle unless it is part of a business that has moved to this state permanently. On both a private vehicle, as well as a commercial vehicle, you are only going to have this program if they become residents of the state, either as a business or as an individual. Any company or private individual who is here for the purpose of temporary work and not a resident of the state, you are not going to impose this on them.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1512**

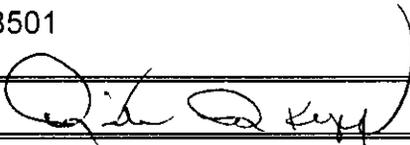
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 3, 2009

Recorder Job Number: 8501

Committee Clerk Signature



Minutes:

Chairman Belter: That is Representative Kempenich's bill on the reciprocity of excise tax.

Representative Wrangham: I am not sure I understand how this works. Would this make Montana on an even keel on reciprocity as we have with South Dakota and Minnesota?

Chairman Belter: Minnesota and South Dakota have sales tax like we do, where Montana doesn't. In theory, what the bill is trying to do is what we do with South Dakota and Minnesota. Because they don't have sales tax like we do, we are trying to encourage people to get their vehicles licensed here if we give them a carrot.

Representative Winrich: The agreements with Minnesota and South Dakota though are reciprocal. We recognize our sales tax and they recognize ours. It sounds like Montana is not making any concessions here. They are going to go after people from North Dakota anyway.

Vice Chairman Drovdal: Montana doesn't charge sales tax. If you are from North Dakota and have to get a license, you pay personal property tax. If you go there, you end up paying personal property from that time on too.

Representative Winrich: But they don't credit our sales tax against personal property tax, do they?

Vice Chairman Drovdal: Not that I know of anyway.

Representative Winrich: So it is simply a concession from North Dakota, but not reciprocity?

Vice Chairman Drovdal: It is a concession to the people moving to ND (inaudible).

Chairman Belter: What are your wishes on 1512? I have a motion for a **“do not pass”** from **Representative Headland and a second from Representative Weiler. A roll call vote was taken resulting in 7 ayes, 5 nays, 1 absent/not voting. Representative Headland will carry the bill.**

FISCAL NOTE

Requested by Legislative Council

01/27/2009

REVISION

Bill/Resolution No.: HB 1512

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$460,500)		(\$460,500)	
Expenditures				\$5,900		\$0
Appropriations				\$5,900		\$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 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).*

This bill affects nonresidents moving into the state of North Dakota, to which we do not have tax reciprocity on vehicles, and there is no change in ownership. Those current states are Alaska, Delaware, Montana, New Hampshire, and Oregon.

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.*

This bill will increase costs to the state in the amount of 5,910 and will result in a revenue loss of \$460,500 per biennium.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

We processed 3839 vehicle titles from these states last year. Of these titles, we are estimating 40% were transfers, by nonresidents, into North Dakota, for 1535 vehicles.

We are estimating an average fair market value of \$10,000 being declared on these transfers. Based upon this, current total tax revenue at 5% is \$767,500. (1535 x 10,000 = \$15,350,000 x 5% = \$767,500)

Estimating an average of 3 years registered in another state equals a 1.5% tax reduction, which is a tax rate of 3.5%. Applying this figure to the formula = \$15,350,000 x 3.5% = \$537,250.

Current revenue minus estimated revenue = revenue loss. \$767,500 - \$537,250 = \$230,250. Based on a biennium budget, this is a revenue loss of \$460,500 per biennium

Under current law, motor vehicle excise taxes affect primarily the general fund and the state aid distribution fund. However, there are bills in consideration at this time that would change the funds which are the recipients of the motor vehicle excise taxes. If those bills were to pass, funds other than those currently specified under law may be impacted by this bill.

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.*

We are also estimating 80 hours of programming to make changes to VRTS to automatically calculate this tax reduction, at \$72.00/hr. and 10 hours of user testing time at \$15.00/hr.
\$5,760 + \$150 = \$5,910.

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.*

The expenditures identified in Part 3B of this fiscal note would require an appropriation of \$5,900.

Name:	Glenn Jackson	Agency:	NDDOT
Phone Number:	328-4792	Date Prepared:	01/27/2009

FISCAL NOTE
Requested by Legislative Council
01/20/2009

Bill/Resolution No.: HB 1512

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.*

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	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$460,500)		(\$460,500)
Expenditures				\$5,900		\$0
Appropriations				\$5,900		\$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 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).*

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\$5,760 + \$150 = \$5,910.

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.*

The expenditures identified in Part 3B of this fiscal note would require an appropriation of \$5,900.

Name:	Glenn Jackson	Agency:	NDDOT
Phone Number:	328-4792	Date Prepared:	01/25/2009

Date: February 3, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1512

House FINANCE AND TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Headland Seconded By Weiler

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter		/	Representative Froelich		/
Vice Chairman David Drovdal		/	Representative Kelsh		/
Representative Brandenburg			Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt		/
Representative Grande	/		Representative Winrich	/	
Representative Headland	/				
Representative Weiler	/				
Representative Wrangham	/				

Total (Yes) 7 No 5

Absent 1

Floor Assignment Representative Headland

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

REPORT OF STANDING COMMITTEE (410)
February 3, 2009 5:18 p.m.

Module No: HR-21-1554
Carrier: Headland
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1512: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (7 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1512 was placed on the Eleventh order on the calendar.

2009 TESTIMONY

HB 1512



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER
Cory Fong, Commissioner

Memorandum

To: Chairman Belter and Members of the House Finance and Taxation Committee
From: Myles Vosberg, Director, Tax Administration Division
Date: February 3, 2009
Subject: House Bill 1512

This memo addresses questions raised at yesterday's hearing and during subsequent discussion by the House Finance and Taxation Committee regarding House Bill 1512.

Representative Headland asked if there is any verification of tax due and assessment of motor vehicle excise tax on vehicles licensed in another state but used as a trade-in on a vehicle that will be licensed in North Dakota. Generally, there is no process to verify if a trade-in vehicle should have been licensed and titled in North Dakota before it was used as a trade-in. Licensed motor vehicle dealers are not required to collect motor vehicle excise tax and remit it to the Department of Transportation, but most do so as a service to their customers. The dealer maintains title to the trade-in vehicle while it remains in inventory and there is no information on the title and license application of the new vehicle to inform the Department of Transportation about the license of the trade-in vehicle. Therefore, the Department of Transportation does not know if a trade-in vehicle was from North Dakota or another state without further review of every application with a trade-in.

The committee asked additional questions regarding how soon individuals or businesses must register and pay tax on vehicles brought into North Dakota. Under the vehicle registration statutes in North Dakota Century Code Chapter 39-04, registration is required as soon as the vehicle is used upon the highways of this state. However, as a practical matter, the Department of Transportation's current administrative policy is to allow new residents thirty days to register a vehicle when moving into North Dakota.

Businesses that bring vehicles into North Dakota for use in business activities may apply for temporary licenses from the Department of Transportation. Licenses are issued for up to one year and cost \$10 a month for passenger vehicles and pickups and \$5 a month for trailers. The license fee for heavy trucks varies by age and weight. Individuals that live in North Dakota part-time may also purchase a temporary license for \$10 a month for a personal vehicle licensed in another state. No motor vehicle excise tax is due from businesses or individuals that obtain temporary licenses.

If you have any question about this information, please contact me by telephone at 328-3471 or by e-mail at msvosberg@nd.gov.