

2009 SENATE FINANCE AND TAXATION

SB 2269

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2269

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 01/27/2009

Recorder Job Number: 7824

Committee Clerk Signature

Minutes:

**Chairman Cook:** Opened hearing on SB 2269.

**John Walstad**, Legislative Council: explained the bill.

He said the bill came from 2007 session. It is the Angel Fund, an income tax credit for individuals and corporations. But there was feeling that the law needed to be tightened up a bit.

**Chairman Cook:** please list three conditions again?

6.00 **John Walstad:** 1. Natural Person (not a corporation or partnership) with a net worth of \$1 million or more. Has to have an income for a single filer of two hundred thousand or more or income joint filer three hundred thousand dollars or more. Not more than twenty-five percent of its ownership interest owned by an individual investor. Angel fund has to have at least five hundred thousand dollars in commitments from accredited investors for initial capitalization subject to call to be invested over an unspecified number of years. Angel Fund has to be member managed and be in compliance with the securities laws of this state. In his testimony he continued with explanation of bill).

**Senator Anderson:** asked in order to keep track, the original person may transfer the credit but it can only be once. The following person can't transfer it. The original one has to be recorded someplace. He asked if that was correct.

**John Walstad:** That is correct. They can transfer to one other entity per tax year and that entity can't turn around and transfer it someplace else.

**Vice Chairman Miller:** gave a hypothetical example of a beautification project in his community and asked if the Angel Fund would work.

**John Walstad:** I am not sure if that kind of project qualifies. You are seeing in this example how it could be abused.

13.12 **Chairman Cook:** The ability to sell or transfer is new?

**John Walstad:** Yes it is.

**Senator Triplett:** Did the people talking about this think there was a market out there for this tax credit.

**John Walstad:** I think that the primary reason for the transfer provision is that there may be non-resident individuals who would be willing to participate in an Angel Fund and if that is there only contact with ND, the credit would do them no good but if it is made transferable they may get some benefit from it.

15.20 **Brenda Wyland,** NDSU Research and Technology Park and Field agent for the Fargo-Moorhead Angel Investment Fund testified in support of SB 2269. Shared reasons why it was important to tighten up the requirements for an Angel Fund and share more about the intent of the Angel Fund.

17.11 **Senator Anderson:** asked if the people who are investing are they all from North Dakota.

**BW:** In ours, yes.

**Senator Anderson:** said that he understood by reading the bill that a person who doesn't pay taxes in ND could get into this and sell those credits to other ND tax payers and reduce their income tax. He asked if that was correct.

**BW:** If it was transferred to them, yes.

**Senator Triplett:** Is there a market for these tax credits?

**BW:** I believe so, but to what extent I don't know.

**Senator Triplett:** asked if they had researched other states to see if they have similar tax credits and if they work.

**BW:** There are a number of states that have similar tax credits but she did not know if they had the transfer provisions.

18.55 **Vice Chairman Miller:** asked what kind of projects are they working on in Fargo?

**BW:** We are seeing a tremendous amount. There focus is technology based.

21.22 **Senator Dotzenrod:** asked what problems they see this bill solving?

**BW:** It is twofold, we are trying to tighten the language up to preserve the integrity of what a true Angel Fund is. Second, we hope by the ability to transfer or sell the credit we will open up addition access to other capital and investors.

23.06 **Senator Dotzenrod:** You think the # of people investing might go up?

**BW:** Yes.

**Jeb Oehlke,** Economic Development Association of North Dakota: See attached testimony #1 in support of the bill.

**Paul Lucy,** Director of the Economic Development Finance Division of the Department of Commerce gave neutral testimony to the bill. He said that there are probably some amendments that may need to be drafted. Concern is on page 2, all of 3.

27.56 **Senator Oehlke:** Could you tell me the 6 communities the funds are in.

**PL:** 3 primary funds in GF, Fargo, Bismarck.

29.50 **Donnita Wald**, State Department Legal Council: Neutral Testimony.

We believe that transferring tax credits are of concern. This opens the ability to purchase by anyone. It is a \$45,000 tax credit.

31.37 **Senator Triplett:** do you have some suggestions on how we should limit this?

**Donnita Wald:** We could come up with something.

33.10 **Vice Chairman Miller:** Is there any way that we can look at the fund and limit who they can give money to.

**Donnita Wald:** I know many of those issues were brought up last session. I would have to defer to someone else.

**Chairman Cook:** They are not limited.

35.00 **Senator Dotzenrod:** said the bill talks about tax credits and asked if it was both corporate income tax credits and individual.

**Donnita Wald:** That is correct.

**Senator Dotzenrod:** I am assuming the people who need this are dealing with substantial revenue and substantial size business activities. Do they get a nice discount if they buy some tax credits? What do they have to pay?

**Donnita Wald:** It depends, there is a market out there. It depends on what the credit is. It is typically sold at a discount.

**Senator Dotzenrod:** Are we talking maybe 10% discount?

**Donnita Wald:** We can find out, I am not sure.

**Discussion:** on some experience in some of the sold investments between Senator Dotzenrod, Chairman Cook, and Donnita Wald.

39.50 **Senator Anderson:** To satisfy my curiosity, if there is a discount, how is that money treated?

**Donnita Wald:** The seller pays the tax on the profit.

**Senator Triplett:** If we limited it in the wind power so thoroughly no one wanted to invest, then your concern here is that it is too open to anyone. It must be tricky in drafting to get a balance. Is that your concern?

**Donnita Wald:** The concern is administering it.

**Chairman Cook:** asked if we had any history on the amount of credits that it would take because of this Angel Fund that we passed last session.

**Donnita Wald:** There have been 31 taxpayers, about \$250,000

**Deana Wiese,** Executive Director of Information Technology Council of ND testified in support of this bill because it encourages investment in North Dakota.

**Chairman Cook:** Further testimony? (no)

Closed hearing on SB 2269.

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2269

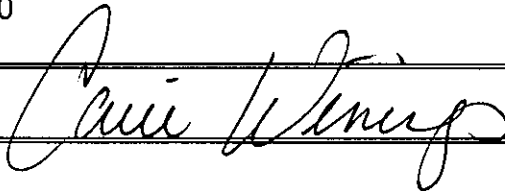
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/02/2009

Recorder Job Number: 8390

Committee Clerk Signature



Minutes:

**Chairman Cook:** See Attachment # 1 for proposed amendment.

**Vice Chairman Miller:** What does the state currently contribute into this fund?

**Senator Dotzenrod:** \$250,000

**3.45 Chairman Cook:** Have you looked at the amendments, and it has taken out a lot of the conditions I guess. Do we want Senator Grindberg to explain his intent?

**Vice Chairman Miller:** That would be nice.

**Senator Triplett:** Can anyone here explain this.

**Chairman Cook:** No

**Myles Vosberg, Tax Department:** What do you need exactly?

**Chairman Cook:** We will come back to this Tuesday afternoon when we can get those here we need.

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2269

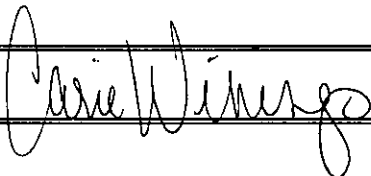
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/03/2009

Recorder Job Number: 8518

Committee Clerk Signature



Minutes:

**Chairman Cook:** Reopened discussion on SB 2269.

**Senator Tony Grindberg, District 41:** Comes back to answer some questions on the bill, and review some amendments already proposed (Attachment #2).

**Chairman Cook:** Are they your amendments?

**Senator Grindberg:** I am offering them on behalf of the commerce.

**Donnita Wald:** This is the first that I have heard of these amendments.

**Senator Dotzenrod:** It appears to me that they want to invest in traded stocks. Buy and sell shares of companies that are publicly traded.

**Senator Grindberg:** The purpose of these angel funds is to raise capital of pooled investors, spread the risk, seed early stage companies, not by stock.

**Senator Dotzenrod:** It strikes the word private non-publicly traded so that means they are opening the opportunity to....

**Senator Oehlke:** It doesn't limit it to them.

**Senator Hogue:** It is the qualifications of an angel fund would be changed, not what type of asses they are going to buy.



**Senator Grindberg:** The reason this bill was introduced is because of last session we passed legislation to allow angel funds to be created to bring groups of investors together to spread risk. We didn't provide a definition. Under most states, and these various groups in North Dakota have organized these funded ones. They have a minimum of at least 10-12 investors. There have been discussions about where in the current language, one individual could start an angel fund and get the tax credit. That is not the intent of what an angel fund is. It strengthens the purpose of what we are doing.

**Chairman Cook:** How long would it take to get Paul Lucy over here? Donnita, do you have any comments to make on this?

**Donnita Wald:** No thank you. This is between the fund and the Commerce Department.

**Senator Anderson:** I have a note that you were going to draft an amendment so that credit cannot be sold.

**Chairman Cook:** We can discuss that. Asked Senator Grindberg how important is it to be able to sell the tax credits?

**Senator Grindberg:** It is not that significant, and I would not have a problem with that.

**Chairman Cook:** Asks for Mr. Lucy to come down and for Donnita Wald to draft amendments.

**Vice Chairman Miller:** I think that all we would have to do is remove Section 6 ....

**Donnita Wald:** References Attachment #1.

**Paul Lucy, North Dakota Department of Commerce:** Came to answer questions on amendments 90792.0101.

**Chairman Cook:** Why are we removing private non-publicly traded, and what does that do?

**Paul Lucy:** My thought behind that would be if there was a publicly traded company that came along that made sense for the angel fund to invest in, is there a reason we would want to exclude that?

**Senator Dotzenrod:** I thought the reason was if you had it publicly traded, they would in a position in the market where they would be in a public exchange. There opportunity to attract investors would be there. It doesn't seem that it fits with the original intent of trying to attract the capital.

**Paul Lucy:** I guess the point of it is exactly that. I don't know what the instance of situation might be, and it might be in the best interest of the state, community, or company to invest in a publicly traded company. That is not is a particular thing that needs to be extracted from the original language; I am having difficulty determining why we would exclude them.

**Chairman Cook:** It would have to be a publicly traded company located in North Dakota?

**Paul Lucy:** It would be by scratching that out of the language, it is saying that the angel fund would not be investing in a publicly traded company.

**Chairman Cook:** By scratching that out of the original bill we are saying that the angel fund could not invest in a publicly traded company? Or are we saying they could?

**Paul Lucy:** Currently, in order to be an angel fund it must be organized for the purpose of investing in portfolio of at least 6 early stage and mid stage private non-publicly traded enterprises with strong growth potential. So if that stays in there, it is saying that that angel fund is investing in a publicly traded company it cannot be considered an angel fund.

**Senator Triplett:** Can you tell us why you want to strike the words "at least"?

**Paul Lucy:** What was relayed to me was that the "at least 6" was supposed to be relative to the letter c there in terms of 6 credited investors.

**Senator Triplett:** So that was just a mistake in the beginning?

**Paul Lucy:** That is the way it was represented to me.

**Chairman Cook:** Asks on each line if the committee is comfortable. Out of all those amendments, I think that there is at least one you might want to discuss. That is Page 2, Line 6.

**Senator Hogue:** I have issue with the first two. I thought what would prevent me and a couple of friends from getting together and starting an investment club. I don't see anything that would prevent us.

**Chairman Cook:** That would be the case with the page 2 line 6 amendment.

**Senator Hogue:** I think you would want to advance several different entities, but you have to have more than one. An angel fund should have a diverse portfolio.

**Vice Chairman Miller:** If you change the "at least 6", or if you leave it in there you would have to add some language a certain time period in which you would have to invest.

**Chairman Cook:** I am not sure you would have to do that. If there is just one out there that they need capital and then they go find 6 people who are willing to take a little risk losing their money and in return for the benefit of getting a return and incised by it to get a tax credit.

**Senator Hogue:** Than anyone who is starting a new business venture should qualify. I think you can use this to get a credit for any new business you want to start up.

**Chairman Cook:** I think we should deal with these amendments separately.

**Senator Hogue:** I move that we change "at least 6" to "at least 3".

**Senator Oehlke:** Seconded.

**A Roll Call vote was taken on amendment for Page 2, Line 5 changing the 6 to a 3.**

**Yea 7, Nay 0, Absent 0.**

**Chairman Cook:** Page 2, Line 6, remove private non-publicly traded. /How about Page 2 lines 10, 13, 16.

**Senator Triplett:** Motioned to amend page 2, lines 10, 13, 16.

**Senator Anderson: Seconded.**

**A voice vote was taken: 7 yeas, 0 nays, 0 absent.**

**Chairman Cook:** On the amendments offered by Donnita Wald. Amendments Page 2, remove lines 28-31, page 3, lines 1-31, page 4, lines 1-18.

**Senator Miller: Moved those amendments.**

**Senator Dotzenrod: Seconded.**

**A voice vote was taken: 7 yeas, 0 nays, 0 absent.**

**Senator Hogue: Moved a Do Pass As Amended.**

**Senator Oehlke: Seconded**

**A Roll Call vote was taken: Yea 7, Nay 0, Absent 0.**

**Senator Dotzenrod will carry the bill.**

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/20/2009

Bill/Resolution No.: SB 2269

**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						
Expenditures						
Appropriations						

**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).*

SB 2269 modifies the angel fund investment tax credits and allows unused credits to be sold or transferred.

**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.*

There is no information upon which to determine the state general fund revenue loss associated with the selling and transferring of angel fund investment tax credits.

**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>	01/25/2008

PROPOSED AMENDMENTS TO SENATE BILL NO. 2269

Page 2, line 5, remove "at least six"

Page 2, line 6, remove "private, nonpublically traded"

Page 2, line 10, replace "ownership interests" with "capitalized investment assets"

Page 2, line 13, remove "for initial capitalization"

Page 2, line 16, after "members" insert "or a designated board that includes investor members"

Renumber accordingly

Date: 02/03/09

Roll Call Vote #: |

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. :

2269

Senate Finance and Taxation

Committee

Check here for Conference Committee

Amend

Page 2  
line 5

Legislative Council Amendment Number

6 to 3

Action Taken

Do Pass

Do Not Pass

Amended

Motion Made By

Senator Hogue

Seconded By

Senator Oehlke

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	/		Sen. Arden Anderson	/	
Sen. Joe Miller - Vice Chairman	/		Sen. Jim Dotzenrod	/	
Sen. David Hogue	/		Sen. Constance Triplett	/	
Sen. Dave Oehlke	/				

Total: Yes

7

No

0

Absent

Floor Assignment

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

Date: 02/03/05

Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. : 2269

Senate Finance and Taxation Committee

Check here for Conference Committee page ~~2~~ 10

Legislative Council Amendment Number Amend 13  
16

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Senator Triplett Seconded By Senator ~~Anderson~~ Anderson

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman			Sen. Arden Anderson		
Sen. Joe Miller - Vice Chairman			Sen. Jim Dotzenrod		
Sen. David Hogue			Sen. Constance Triplett		
Sen. Dave Oehlke					

All in favor

Total: Yes 7 No 0

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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



#1



Prepared for the  
Senate Finance & Taxation Committee  
February 2, 2009

**PROPOSED AMENDMENTS TO SENATE BILL NO. 2269**

Page 2, remove lines 28 through 31

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 18

Renumber accordingly



Date: 02/03/09

Attachment #1

Roll Call Vote #: 3

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.: 2269

Senate Finance and Taxation Committee

Check here for Conference Committee

Amendments  
Pg. 2 removal 28-31 lines  
3 " 1-31  
4 " 1-18

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

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Miller Seconded By Dotzenrod

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman			Sen. Arden Anderson		
Sen. Joe Miller - Vice Chairman			Sen. Jim Dotzenrod		
Sen. David Hogue			Sen. Constance Triplett		
Sen. Dave Oehlke					

all in favor

Total: Yes 7 No 0

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: 02/03/09

Roll Call Vote #: 4

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. : 2269

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number 90792.0102

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Senator Hogue Seconded By Senator Oehlke

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller - Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	✓		Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 7 No 0

Absent 0

Floor Assignment Senator Dotzenrod

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

**REPORT OF STANDING COMMITTEE**

**SB 2269: Finance and Taxation Committee (Sen. Cook, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2269 was placed on the Sixth order on the calendar.**

Page 2, line 5, replace "six" with "three"

Page 2, line 10, replace "ownership interests" with "capitalized investment assets"

Page 2, line 13, remove "for initial capitalization"

Page 2, line 16, after "members" insert "or a designated board that includes investor members"

Page 2, remove lines 28 through 31

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 18

Renumber accordingly

2009 HOUSE FINANCE AND TAXATION

SB 2269

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2269

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/04/09

Recorder Job Number: 10151

Committee Clerk Signature

*Lou Engelson*

Minutes:

**Chairman Belter** opened the hearing on SB 2269.

**Sen. Tony Grindberg:** I'm Tony Grindberg, District 41, here to introduce and support SB 2269. I'll explain a couple particulars on the second page of the bill. You may recall about two years ago, two and a half years ago, the effort and movement of the creation of angel funds surfaced in North Dakota, the first fund being incorporated in Grand Forks. Funds then proceeded to be developed in Fargo, Wahpeton, Bismarck, Minot and the region of Dickinson is also considering establishing a fund. Similar to what we have put in law for a number of years, the C tax credit to stimulate investment and new ventures in existing businesses in the state by granting a C tax credit. The notion of an angel fund where a pool group of credited investors would come together and pool their funds managed by the investors or management group that would look for investments into projects to grow the state's economy and add jobs. Last session we allowed the tax credit to be eligible for that pool group of investors who were a part of the angel fund provided that that investment was made in a North Dakota business. What didn't take place was a definition for an angel fund and so that's what this bill does is to strengthen authority and law by providing definitions and a little more guidance for these funds as they grow and establish new funds that they meet certain criteria consistent to some degree

with the C tax credit laws that are on the books. So what we have done then is put together an angel fund must. To kind of highlight those obviously be a partnership or a limited partnership, corporation, limited liability company; be organized for the purpose of investing in a portfolio at least three early-stage or mid-stage private, non-publicly traded enterprises with strong growth potential; consist of at least six accredited investors as defined by securities and exchange commission; not have more than 25% of its capitalized investment assets owned by one individual investor; have at least \$500,000 in commitments from accredited investors to form a fund; be member-managed; and be certified as an angel fund that meets the requirements of this section by the department of commerce, an important additional provision that C tax credit program is certified by the department of commerce. So we thought it made sense to have commerce involved with the angel certification as well. The last point is investors in one angel fund may not receive more than \$5 million in aggregate credits under this section during the life of the angel fund. So that is the intent of the bill is to provide some more guidance and definition of what an angel fund is participates in this tax credit.

**Rep. Weiler:** Can you give us an update as to how successful this program has been over the years?

**Sen. Grindberg:** Yes, it still is relatively early. I haven't seen any data but I know some funds are making investments. Maybe the Tax Department has a little more of an update.

**Rep. Wrangham:** What does the removing the language on page 1, lines 9, 10, and 11 do?

**Sen. Grindberg:** I'll have Mr. Lucy from Commerce answer the question.

**Rep. Wrangham:** Somewhere along the line in the fiscal note it says that there is a change in the sale and transferability of these credits. Is this something other than what is in the bill?

**Sen. Grindberg:** The bill, as introduced, had the sale and transferability of the credit in the bill. Senate Finance and Tax took it out. As a sponsor, I had no problem with that.

**Chairman Belter:** Other testimony in favor of SB 2269.

**Jeb Oehlke, Economic Development Association of North Dakota** offered testimony in support of SB 2269. See Attachment #1.

**Chairman Belter:** Further testimony in support of 2269. If not, any opposition to 2269. Any neutral testimony?

**Mark Owens:** My name is Mark Owens, Grand Forks. As one of the 2007 sponsors of the angel fund bill originally I understand the intent of this bill now that the tax credit has been taken out, to define angel funds. I just have one recommendation for the committee to consider. Under paragraph 4, the intent is not to allow investor to control angel fund investments, but the way it reads on line 23 is "fund investor owns more than 49% of the ownership interests in the enterprise" and that leaves the loophole out of controlling more than 49%. So my recommendation would be "fund investor owns or controls more than 49%". And that is my only comment.

**Rep. Schmidt:** First of all, where did they get the name angel fund? Where does that come from?

**Mr. Owens:** As I recall, angel funds had been developed in other parts of the country with tax incentives in order to spur economic development in that state and to invest local dollars in local functions or local entities. It was just borrowed.

**Rep. Schmidt:** Have any of these angel funds across the United States gotten into trouble?

**Mr. Owens:** I do not have the knowledge to answer that question. I apologize.

**Chairman Belter:** Any other testimony on 2269.

**Paul Lucy** My name is Paul Lucy, Director of the Economic Development and Finance

Division of the Department of Commerce. I wanted to answer the question that was asked earlier in terms of elimination of the wording on page 1 why this was done. Portions of line 9



and portions of line 11 and all of line 10. That wording is moved over into the requirements on page 2, line 20. It's still in there, just in a different section.

**Chairman Belter:** Any other testimony on 2269. Any questions of the Tax Department.

**Rep. Winrich:** Mary, as I understand it the tax credit here goes to an individual investor and could be carried forward for five years total. But it's not transferrable. Is that correct.

**Mary Loftsgaard:** For the record Mary Loftsgaard, Associate Director of Tax Administration for the Office of State Tax Commissioner. Yes, that is correct. The credit goes to the investor. If they can't use all of that credit they can carry it forward, but it is not transferrable. It was a part of the original bill, but it was taken out.

**Rep. Winrich:** It was part of this bill, not part of the original law.

**Ms. Loftsgaard:** Yes. It was not part of the original law. It was part of this bill and then was amended out in the senate Finance and Taxation.

**Rep. Weiler:** Can you give me an update as to the use of this law that was created a year and a half ago? I believe there have been some angel funds formed in six other communities. So have these funds in the communities begun to develop? Are they active? Is it being used or not?

**Ms. Loftsgaard:** I can't speak to what the funds are doing for the entities that they are invested in. That I don't know. But I can tell you that the credit we have had investors claim the credit. The credit is available to corporations and to individuals on both the long form and short form. 2007 would have been the first year to claim the credit. In ND-1, the short form for individuals, in 2007 we had 30 returns that claimed credit for a total of \$219,089. As to investors who could have claimed on the ND-2 or on the corporate income tax return, that number was so small that we are not able to record it. This was a memo that we gave the committee on January 13. I need to go back and see if that information is in that memo.

**Rep. Weiler:** And that was in 2007 and the law did not go into effect until August of 2007. So my question then would be would you anticipate the 2008 returns might be double or triple that?

**Ms. Loftsgaard:** It's really hard to predict. We don't have enough 2008 returns that would give me a figure that would be meaningful.

**Chairman Belter:** The memo you mentioned. Was that handed out to the senate committee?

**Ms. Loftsgaard:** No, this was addressed to you and the committee.

**Chairman Belter:** Did we get copies of that memo?

**Ms. Loftsgaard:** I believe so. Do you want me to make another set?

**Rep. Grande:** It probably went in with the house bill, and so we wouldn't have it any more.

**Ms. Loftsgaard:** It didn't reference a particular bill. The subject line is Tax Credits,

Deductions, Exemptions. I would be glad to make another set.

**Chairman Belter:** Any other questions. If there is no further testimony on 2269, we'll close the hearing.

The January 13, 2009, memo from Mary Loftsgaard was subsequently added to the minutes.

See Attachment #2.

# 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2269**

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 4, 2009

Recorder Job Number: 10197

Committee Clerk Signature

Minutes:

**Chairman Belter:** What about SB 2269?

**Representative Wrangham:** Mr. Chairman, we wish to add the word "control" on line 23, page 2.

**Chairman Belter:** Where did you want that?

**Representative Wrangham:** On line 23, fund investor owns, then add the words "or controls" more than 49%.

**Representative Weiler:** I know that came from; I am not disagreeing with it, but the language "owns" or "controls", does it have to be in there? How can you control something that you don't own? He was concerned about somebody controlling over 50%, but if you don't own it, you can't control it.

**Representative Pinkerton:** If you have a limited family partnership, you can easily control with 1-2% of membership.

**Representative Grande:** Can you tell me what line you are on.

**Representative Froseth:** Line 23, page 2.

**Representative Pinkerton:** I would think that that might need other language other than just control. I think you might need better language for a limited family partnership.

**Chairman Belter:** Maybe we should run that by the Tax Department and get a clarification.

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2269**

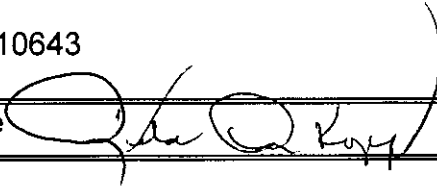
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 10, 2009

Recorder Job Number: 10643

Committee Clerk Signature



Minutes:

**Chairman Belter:** What about the angel fund, SB 2269? I have a note that we are going to check something with the Tax Department. Does anybody remember?

**Representative Pinkerton:** Weren't they going to get back with us with the amount of tax credits that are out there that are being used? Did they send that to us already?

**Chairman Belter :** Do you want to wait on this until we get those figures?

**Representative Pinkerton:** They promised them to us a few weeks ago.

**Representative Winrich:** We got a sheet from the Tax Commissioner before crossover that had a whole bunch of tax credits on it. Is that what?

**Chairman Belter:** Did everybody get this memo, the tax credit memo? The angel fund, \$219,089. How many people was it? 30.

**Representative Weiler:** Mr. Chairman, this bill also allows for these unused credits to be sold or transferred. At some point, we are going to have so many tax credits that it will be easier to list the amount of people that don't get a tax credit as do get a tax credit. When is enough enough? (Inaudible) board of directors, but to take these unused credits to be sold and transferred is going outside the scope of what this bill was initially intended for. I would like another two years to see what this fund is doing and what the tax consequences are

because the initial information that we received was about \$220,000 spread over 30 people.

That was for the second half of 2007; they don't have the data in for 2008. My concern is that it is going to be about \$500,000 in 2008 spread over 30 people. I just have a concern about where we are going with this and where we would go with many of these types of things. If we could get rid of all these tax credits that we have, we might be able to lower the income taxes in the state of North Dakota and not even have a fiscal effect from it. This is not fair to the average person in ND. At some point, enough is enough. We have got to stop doing this stuff.

**Chairman Belter:** Committee members on page 2, line 23 there was a suggestion that we put in after owns "or controls".

**Representative Grande:** I thought that after that came in that that was an unworkable term.

**Representative Pinkerton:** I think you would have to use the language that is in tax code.

**Chairman Belter:** Well, now our tax man left us. Do we think that needs fixing? Whether we have a "do pass" or a "do not pass", we could fix that. Is everybody agreeable to that?

Anybody who loves this bill want to fix that?

**Representative Pinkerton:** I can go get it fixed; I don't love the bill. Mr. Chairman, if you want me to get it fixed, I certainly can. I am not sure I will vote for it.

**Chairman Belter:** No, that's fine if you would do it.

**Representative Weiler:** In the event it is passed on the floor, you want it to be.

**Chairman Belter:** We want it fixed right if it is going to pass.

**Representative Pinkerton:** I fix lots of things without loving them all the time.

# 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2269**

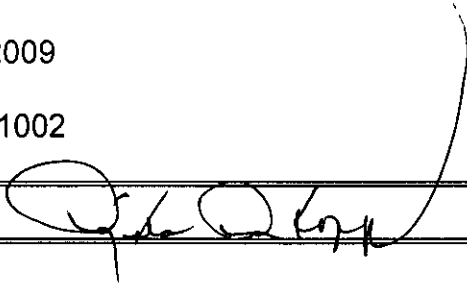
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 11002

Committee Clerk Signature



Minutes:

**Chairman Belter:** Let's look at SB 2269.

**Representative Weiler:** Committee members, as you recall when we discussed this bill previously, I had some very big concerns over the bill; there were a couple of things in here I didn't like. As I did some further checking, in the fiscal note it talks about how it allows the unused credits to be sold or transferred; the Senate took that out so that is not in here. I visited with John Walstad about the bill. Actually I have got my notes up at my desk but that's okay. What this is doing, the way we passed the bill last session, it left it kind of wide open. There could have been a lot of abuse; there may have been a little bit of abuse, but this is going to tighten it up substantially so despite my opposition to the bill previously, upon actually getting the facts, it is actually a very good bill and so with that, Mr. Chairman, I would move a "do pass".

**Chairman Belter:** We have a motion for a "do pass" on 2269 from Representative Weiler and a second Representative Headland. Any discussion?

**Representative Wrangham:** Just to refresh my memory, did we deal with the question of owns or controls on page 2, line 23. Somebody had suggested that we use the word "one angel fund investor owns or controls more than 49%".

**Representative Weiler:** I did speak with Walstad also regarding that and he said it is probably not necessary. However, if you chose to do that, it would close one potential loophole so he kind of left it open. He didn't think it was totally necessary; but if you would choose to put that amendment on, I would withdraw my motion.

**Representative Grande:** I thought in the discussion afterward that "or control" was not proper language for that spot and they needed better wording if we wanted to proceed with that.

**Representative Weiler:** We did have that discussion too. I don't think it is totally necessary that we have it; I think it is okay without it.

**Representative Schmidt:** I guess if you folks are satisfied that these controls are tight enough, I understand these angel funds; Maddock started out with an angel fund, but the controls weren't there. If you guys think these controls are good enough, I can support this but are we certain that those controls are there?

**Representative Weiler:** I will just touch on a couple of these. On page 2, subsection c, where it says "must consist of at least six accredited investors; that is a good solution there. Currently the way the law is, it does nothing to stop me and my wife and my four kids from starting up an angel fund just because I wanted to do so. I could name; again it was opened up for quite a bit of abuse but I think there was something in here about. Anyway, it was opened up prior to this for abuse and there are several instances here or several clauses in here that tighten it up greatly. I am very comfortable with it.

**Chairman Belter:** Any other discussion? If not, will the clerk read the roll for a "**do pass**" on **SB 2269. A roll call vote resulted in 10 ayes, 0 nays, and 3 absent/not voting (Froelich, Kelsh, and Pinkerton).** **Representative Weiler will carry the bill.**



PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2269

Page 2, after line 27, insert:

- "6. The total amount of credits allowed under this section may not exceed, in the aggregate, five million dollars per calendar year. The claimant of a credit under this section must file a claim for the credit, on a form provided by the tax commissioner, by the end of the calendar year in which the credit accrues or in which the claimant intends to use a credit under this section carried over from the previous calendar year. At the end of the calendar year, the tax commissioner shall determine the total amount of credits claimed under this section and credits carried forward from the preceding calendar year and, if the amount determined exceeds the limitation in this subsection, the tax commissioner shall prorate available credits among claimants. The amount of credits disallowed because of the limitation under this subsection may be carried forward to the succeeding calendar year."

Renumber accordingly

Date: March 16, 2009

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2269

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 Weiler Seconded By Headland

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) 10 No 0

Absent 3 (Froelich, Kelsh, Pinkerton)

Floor Assignment Weiler

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

**REPORT OF STANDING COMMITTEE (410)**  
March 16, 2009 1:21 p.m.

**Module No: HR-47-4943**  
**Carrier: Weiler**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2269, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)**  
recommends **DO PASS** (10 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING).  
Engrossed SB 2269 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2269



**Testimony of Jeb Oehlke  
Lobbyist  
Economic Development Association of North Dakota  
SB 2269**

Mr. Chairman and committee members, my name is Jeb Oehlke. I am here today to testify on behalf of the Economic Development Association of North Dakota (EDND) in support of SB 2269.

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations. We are asking that you support SB 2269 and thus, North Dakota's economic growth.

We are all aware of the efforts and programs we have developed over the years to spur economic development in our state. We see SB 2269 as a logical extension of other programs that have proven to be very effective tools for North Dakota communities and their developers in economic expansion.

All across the state, entrepreneurs have new ideas for business opportunities that would stimulate economic activity within the community and the state. Such entrepreneurs, however, lack the

money and expertise needed to make those ideas become a reality. Pooled angel funds are essential tools that provide not only the financial support, but the wisdom, expertise, judgment and research needed to help get those ideas and those new businesses off the ground.

Throughout the nation, angel funds have become a primary source for supporting these ventures.

Since the legislature passed SB 2224 (extends the 45 percent state investment tax credit to pooled angel funds) in 2007, six pooled angel funds have formed in North Dakota, and three others are being discussed in Minot, Williston, and Dickinson. We feel SB 2269 will allow these angel funds to have the greatest possible economic impact by targeting the right ventures and the right angels.

EDND believes SB 2269 will aid development in North Dakota and build on a successful program that works by better defining the groups that qualify as an angel fund and clarifying how an angel fund can be used. We urge a do pass recommendation.



OFFICE OF STATE TAX COMMISSIONER  
STATE OF NORTH DAKOTA

Cory Fong  
TAX COMMISSIONER

MEMO

DATE: January 13, 2009

TO: Chairman Wes Belter and Members of the House Finance and Taxation Committee

FROM: Cory Fong, Tax Commissioner *cgf*

SUBJECT: Tax Credits, Deductions, Exemptions and their Associated Costs

Attached are listings of the various tax credits, deductions, exemptions, and their associated costs for which we were asked during last week's hearing on House Bill 1085, relating to the Internship Employment Tax Credit and the Workforce Recruitment Tax Credit.

Attached you will find the following:

1. A listing of individual income tax deductions and credits and information on the amount being claimed for those deductions and credits.
2. A listing of corporation tax deductions and credits and information on the amount being claimed for those deductions and credits;
3. A listing of the various sales tax exemptions and the estimated value of those exemptions;

Thank you once again for the opportunity to address your committee last week. And, please feel free to contact me or the staff of the department if you need additional information or have further questions.

Best wishes for the Legislative Session.

ND-1 Deductions (Reduces Taxable Income)	Count of Returns							Total Dollar Amount						
	2007	2006	2005	2004	2003	2002	2001	2007	2006	2005	2004	2003	2002	2001
Interest from U.S. Obligations	15,990	15,310	14,444	13,911	14,015	14,015	14,015	\$336,291,758	\$520,404,574	\$154,333,365	\$150,075,235	\$91,312,572	\$91,312,572	\$91,312,572
Net Long-Term Capital Gain Exclusion	57,588	52,587	47,772	47,378	37,020	37,020	37,020	\$333,672,967	\$307,700,882	\$233,867,207	\$1,195,226,775	\$630,138,953	\$630,138,953	\$630,138,953
Exempt Income of an Eligible Native American	1,429	1,214	1,126	983	948	948	948	\$46,715,559	\$40,844,736	\$32,600,082	\$27,720,820	\$25,129,480	\$25,129,480	\$25,129,480
Benefits Received from U.S. Railroad Retirement Board	1,673	1,591	1,561	1,512	1,531	1,531	1,531	\$26,865,563	\$24,939,837	\$23,626,588	\$21,189,640	\$19,668,628	\$19,668,628	\$19,668,628
Income from Passthrough Entity Subject to North Dakota's Financial Institutions Tax	543	533	552	552	521	521	521	\$40,341,214	\$47,953,703	\$48,078,379	\$32,235,518	\$31,729,365	\$31,729,365	\$31,729,365
National Guard / Reserve Member Federal Active Duty Pay Exclusion	152	135	290	360	632	632	632	\$2,644,768	\$2,144,558	\$8,785,431	\$4,023,998	\$9,636,168	\$9,636,168	\$9,636,168
Nonresident Only: Servicemembers Civil Relief Act Adjustment	1,715	1,766	1,851	775	#	#	#	\$55,062,290	\$56,157,745	\$55,960,077	\$23,645,569	\$23,645,569	\$23,645,569	\$23,645,569
Deduction for Contribution to College SAVE Account at Bank of North Dakota	419	#	#	#	#	#	#	\$1,412,971	#	#	#	#	#	#
Renaissance Zone Income Exemption	245	162	144	162	98	98	98	\$14,654,010	\$5,837,489	\$3,555,845	\$3,365,200	\$2,053,972	\$2,053,972	\$2,053,972
New or Expanding Business Income Exemption Under N.D.C.C. ch. 40-57.1	12	31	39	21	31	31	31	\$1,803,340	\$11,394,808	\$13,425,152	\$9,975,593	\$7,911,660	\$7,911,660	\$7,911,660
Human Organ Donor Expense Deduction	9	21	22	#	#	#	#	\$3,191	\$285,686	\$213,028	#	#	#	#

ND-1 Credits (Reduces Income Tax)	Count of Returns							Total Dollar Amount						
	2007	2006	2005	2004	2003	2002	2001	2007	2006	2005	2004	2003	2002	2001
Credit for Income Tax Paid to Another State	5,183	4,834	4,634	4,441	4,142	4,142	4,142	\$10,060,708	\$8,939,615	\$7,781,041	\$5,694,788	\$4,179,518	\$4,179,518	\$4,179,518
Marriage Credit for Joint Filers Only	19,724	#	#	#	#	#	#	\$2,435,945	#	#	#	#	#	#
Commercial Property Income Tax Credit	12,115	#	#	#	#	#	#	\$3,123,071	#	#	#	#	#	#
Residential and Agricultural Property Income Tax Credit	143,381	#	#	#	#	#	#	\$37,081,439	#	#	#	#	#	#
Family Member Care Credit	8	12	18	26	18	18	18	\$6,797	\$8,612	\$14,750	\$18,031	\$16,548	\$16,548	\$16,548
Renaissance Zone Credit	143	124	141	149	107	107	107	\$805,141	\$629,199	\$1,176,279	\$3,268,365	\$456,739	\$456,739	\$456,739
Agricultural Commodity Investment Credit	428	436	466	229	251	251	251	\$832,757	\$596,463	\$478,877	\$119,677	\$114,394	\$114,394	\$114,394
Seed Capital Investment Credit	654	694	760	560	183	183	183	\$3,539,476	\$1,672,742	\$1,567,484	\$907,488	\$394,878	\$394,878	\$394,878
Planned Gift Credit	51	20	15	#	#	#	#	\$118,482	\$35,592	\$14,009	#	#	#	#
Biodiesel Fuel Supplier Credit	*	*	18	#	#	#	#	\$3,943	\$3,943	\$14,009	#	#	#	#
Biodiesel Fuel Seller Credit	*	6	20	#	#	#	#	#	\$62,929	\$92,605	#	#	#	#
Employer Internship Program Credit	16	#	#	#	#	#	#	\$3,499	#	#	#	#	#	#
Microbusiness Credit	*	#	#	#	#	#	#	#	#	#	#	#	#	#
Research Expense Credit	62	#	#	#	#	#	#	\$419,413	#	#	#	#	#	#
Research Expense Credit Purchased from Another Taxpayer	0	#	#	#	#	#	#	\$0	#	#	#	#	#	#
Angel Fund Investment Credit	30	#	#	#	#	#	#	\$219,089	#	#	#	#	#	#
Endowment Fund Credit from Passthrough Entity	46	#	#	#	#	#	#	\$110,189	#	#	#	#	#	#

Notes:  
 Grayed box indicates the deduction or credit was not available.  
 \* \* \* Indicates there were less than 5 instances of the deduction or credit being used and is non-reportable because of the Tax Department's policy on the release of statistics.  
 # \* # Indicates information is not available.



ND-2 Deductions (Reduces Taxable Income)	Count of Returns						Total Dollar Amount					
	2007	2006	2005	2004	2003	2002	2007	2006	2005	2004	2003	
Interest from U.S. Obligations	96	176	210	210	240	240	\$534,933	\$1,588,051	\$1,286,834	\$1,588,635	\$1,058,580	
Military Pay Exclusion	73	70	82	123	169	169	\$81,562	\$98,795	\$86,539	\$128,000	\$171,801	
Additional Military Pay Exclusion for Overseas Duty	24	28	23	45	55	55	\$48,512	\$112,624	\$56,923	\$99,733	\$145,065	
Military Retirement Pay Exclusion	14	24	31	30	26	26	\$67,974	\$120,300	\$139,067	\$137,536	\$131,297	
Pension, or the North Dakota Highway Patrol Pension Fund	58	81	84	114	120	120	\$272,572	\$328,792	\$313,125	\$469,388	\$509,048	
Interest Income from Sale of Land to a Qualifying Beginning Farmer	*	*	*	5	5	5	*	*	*	\$33,080	\$23,884	
Rental Income from Leasing of Land to a Qualifying Beginning Farmer	*	*	9	9	6	6	*	*	\$78,298	\$94,986	\$58,728	
Gain from Sale of Land to a Qualifying Beginning Farmer	5	*	*	7	8	8	\$134,946	*	*	\$835,406	\$122,103	
Interest Income from North Dakota Financial Institutions	259	561	631	698	775	775	\$84,907	\$189,692	\$199,891	\$201,803	\$236,240	
Rental Income from Leasing a Business to a Qualifying Beginning Entrepreneur	*	0	*	*	*	*	*	\$0	*	*	*	
Medical Expenses not Allowed due to 7.5% of Adjusted Gross Income Limitation	2,874	3,468	2,927	2,889	2,772	2,772	\$18,599,973	\$19,055,276	\$13,579,469	\$12,425,856	\$10,125,245	
Additional Exemption (\$300.00 for Married Filing Jointly, Head of Household, or Qualifying Widower)	4,659	5,379	4,509	4,789	4,870	4,870	\$1,397,700	\$1,613,700	\$1,671,000	\$1,800,900	\$1,885,200	
Other Deductions	203	291	287	383	481	481	\$7,862,723	\$7,228,528	\$8,088,259	\$5,693,464	\$5,873,133	

ND-2 Credits (Reduces Income Tax)	Count of Returns						Total Dollar Amount					
	2007	2006	2005	2004	2003	2002	2007	2006	2005	2004	2003	
Credit for Income Tax Paid to Another State	9	13	13	16	19	19	\$684	\$1,675	\$1,989	\$763	\$763	
Credit for Contributions to Nonprofit Private Colleges in ND	10	7	7	9	12	12	\$497	\$345	\$577	\$557	\$557	
Credit for Contributions to Nonprofit Private High Schools in ND	10	12	12	8	14	14	\$1,025	\$955	\$925	\$325	\$1,038	
Long-Term Care Insurance Credit	417	505	572	691	691	691	\$58,195	\$71,168	\$81,396	\$96,778	\$96,778	
Nonprofit Development Corporation Investment Credit	0	0	0	0	0	0	\$0	\$0	\$0	\$0	\$0	
Qualified Business Seed Capital Investment Credit	*	*	7	*	0	0	\$39,195	\$3,386	\$9,598	\$1,058	\$1,624	
Other Credits	244	7	6	8	6	6	\$72,205	\$103,256				
Commercial Property Income Tax Credit	105											
Residential and Agricultural Property Income Tax Credit	476											

Notes:  
 Grayed box indicates the deduction or credit was not available.  
 \* \* \* Indicates there were less than 5 instances of the deduction or credit being used and is non-reportable because of the Tax Department's policy on the release of statistics.  
 "Other Deductions" and "Other Credits" include all deductions and credits available on the ND-1, but not identified.  
 Starting with 2007, all credits except the property income tax credits were combined in "Other Credits".

## Corporate Income Data - Credits and Exemptions

2

(as of 12/30/08)

<u>Tax Form Year</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Exemptions</b>	(number claimed) (dollars claimed)				
1 New and Expanding Business Exemption	10 \$2,764,824	7 \$9,888,138	6 \$7,763,563	5 \$2,321,925	8 \$777,482
2 Renaissance Zone Exemption	6 \$960,506	7 \$949,475	11 \$3,788,542	13 \$4,702,584	14 \$821,722
<b>Tax Credits</b>					
1 Contribution to Private Colleges	24 \$29,013	28 \$34,780	24 \$33,554	31 \$40,190	25 \$36,042
2 Contribution to Private High Schools	11 \$11,230	8 \$8,093	11 \$12,786	11 \$16,960	11 \$13,439
3 Venture Capital Corp.	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
4 ND Small Business Investment Co.	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
5 Geothermal, Solar, Wind Device (Purchased)	n/a n/a	n/a n/a	n/a n/a	n/a n/a	0 \$0
6 Research & Experimental Expenditures	13 \$1,456,743	16 \$1,307,494	18 \$1,214,063	15 \$519,406	12 \$539,539
7 Research & Experimental Expend. (Purchased)	n/a n/a	n/a n/a	n/a n/a	n/a n/a	0 \$0
8 Payment to Certified Nonprofit Devel. Corp.	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
9 Biodiesel Fuel Sales Equipment Costs	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0
10 Contribution to Endowment Fund	n/a n/a	n/a n/a	n/a n/a	n/a n/a	8 \$23,920
11 New Investment in Microbusiness	n/a n/a	n/a n/a	n/a n/a	n/a n/a	0 \$0
12 Workforce Recruitment	n/a	n/a	n/a	n/a	n/a
13 Property Tax Paid on Commercial Property	n/a n/a	n/a n/a	n/a n/a	n/a n/a	389 \$201,876

Note - Information on the following credits is not provided due to confidentiality laws. There were less than 5 taxpayers who claimed the following credits in each of the tax years reported:

- Geothermal, Wind, Solar Device
- Employment of Developmentally Disabled
- New Industry
- Renaissance Zone
- Biodiesel Fuel Production
- Biodiesel Fuel Blending
- Seed Capital Business Investment
- Ag Commodity Processing Facility Investment
- Employee Internship
- Investment in Angel Fund

Sales Tax Business Incentive Exemption

	FY 04		FY 05	
	Est. Value	Est. Tax	Est. Value	Est. Tax
Machinery & Equipment - Build or Expand Manufacturing Facility	57,866,459	2,893,430	104,434,580	5,221,735
Machinery & Equipment - Build or Expand Recycling Facility			(1) 1,083,679	56,384
Tangible Pers. Property - Build or Expand Ag Commodity Proc. Facility	19,685,854	984,293	12,381,035	619,053
Computer & Telecomm Equip - Integral Part of New or Expanding Primary Sector Business	8,859,161	442,959	1,579,718	78,986
Tangible Personal Property & Production Equipment to Construct Power Plant				
Environ, Upgrade Equipment - for Power Plant or Processing Unit (Oil & Gas Plant)				
Tangible Personal Property - Build or Expand Gas Gathering or Compressing Facility or Gas Processing Plant				
Tangible Personal Property - Construct or Expand an Oil Refinery				
<b>Total By Fiscal Year</b>	<b>86,411,474</b>	<b>4,320,682</b>	<b>119,479,012</b>	<b>5,976,158</b>

(1) Note – Information on the above exemptions is not provided due to confidentiality laws. There were less than 5 taxpayers who claimed the exemptions in the referenced tax year.

Prepared by: ND Office of State Tax Commissioner - January 9, 2009

Sales Tax Business Incentive Exemption

	FY 06		FY 07	
	Est. Value	Est. Tax	Est. Value	Est. Tax
Machinery & Equipment - Build or Expand Manufacturing Facility	45,444,477	2,272,226	46,304,526	2,303,930
Machinery & Equipment - Build or Expand Recycling Facility	1,808,973	90,449	2,454,305	122,715
Tangible Pers. Property - Build or Expand Ag Commodity Proc. Facility	146,227,601	7,297,738	305,410,347	15,270,519
Computer & Telecomm Equip - Integral Part of New or Expanding Primary Sector Business	16,950,136	869,519	1,494,520	74,725
Tangible Personal Property & Production Equipment to Construct Power Plant		(1)		(1)
Environ, Upgrade Equipment - for Power Plant or Processing Unit (Oil & Gas Plant)				
Tangible Personal Property - Build or Expand Gas Gathering or Compressing Facility or Gas Processing Plant				
Tangible Personal Property - Construct or Expand an Oil Refinery				
<b>Total By Fiscal Year</b>	<b>210,431,187</b>	<b>10,529,932</b>	<b>355,663,698</b>	<b>17,771,889</b>

(1) Note – Information on the above exemptions is not provided due to confidentiality laws. There were less than 5 taxpayers who claimed the exemptions in the referenced tax year.

Prepared by: ND Office of State Tax  
Commissioner - January 9, 2009

Sales Tax Business Incentive Exemption

	FY 08	
	Est. Value	Est. Tax
Machinery & Equipment - Build or Expand Manufacturing Facility	90,232,128	4,511,618
Machinery & Equipment - Build or Expand Recycling Facility	1,197,242	59,863
Tangible Pers. Property - Build or Expand Ag Commodity Proc. Facility	582,287,995	29,114,400
Computer & Telecomm Equip - Integral Part of New or Expanding Primary Sector Business	5,714,300	285,714
Tangible Personal Property & Production Equipment to Construct Power Plant		(1)
Environ, Upgrade Equipment - for Power Plant or Processing Unit (Oil & Gas Plant)		(1)
Tangible Personal Property - Build or Expand Gas Gathering or Compressing Facility or Gas Processing Plant		(1)
Tangible Personal Property - Construct or Expand an Oil Refinery		(1)
<b>Total By Fiscal Year</b>	<b>679,431,665</b>	<b>33,971,595</b>

(1) Note – Information on the above exemptions is not provided due to confidentiality laws. There were less than 5 taxpayers who claimed the exemptions in the referenced tax year.

Prepared by: ND Office of State Tax  
Commissioner - January 9, 2009



Testimony of Jeb Oehlke  
Economic Development Association of North Dakota  
SB 2269  
March 4, 2009

Mr. Chairman and committee members my name is Jeb Oehlke. I am here today representing the Economic Development Association of North Dakota (EDND) in support of SB 2269.

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations. We are asking that you support SB 2269 and thus, North Dakota's economic growth.

We are all aware of the efforts and programs developed over the years to spur economic development in our state. We see SB 2269 as a logical extension of other programs that have proven to be very effective tools for North Dakota communities and their developers in economic expansion.

All across the state, entrepreneurs have new ideas for business opportunities that would stimulate economic activity within the community and the state. Such entrepreneurs, however, lack the money and expertise needed to make those ideas become a reality. Pooled angel funds are essential tools that provide not only the financial support, but the wisdom, expertise, judgment and research needed to help get those ideas and those new businesses off the ground. Throughout the nation, angel funds have become a primary source for supporting these ventures.

Since the legislature passed SB 2224 (extends the 45 percent state investment tax credit to pooled angel funds) in 2007, six pooled angel funds have formed in North Dakota, and three others are being discussed in Minot, Williston, and Dickinson. We feel SB 2269 will allow these angel funds to have the greatest possible economic impact by targeting the right ventures and the right angels.

EDND believes SB 2269 will aid development in North Dakota and build on a successful program that works by better defining the groups that qualify as an angel fund and clarifying how an angel fund can be used.

Thank you for the opportunity to appear in support of SB 2269. I am happy to answer any questions.