

2009 SENATE FINANCE AND TAXATION

SB 2340

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2340

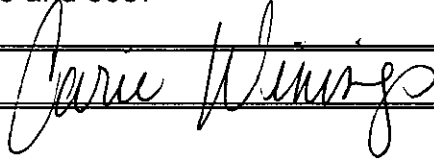
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 01/28/2009

Recorder Job Number: 7998 and 8037

Committee Clerk Signature



Minutes:

Chairman Cook: Opened hearing on SB 2340.

Dianne Sheppard, Executive Director for the Arc, Grand Forks and Spokesperson for the Arc of North Dakota: See Attachment #1 in support of bill.

Vice Chairman Miller: Do you know what the gross receipts are for the Arc?

Dianne Sheppard: It is a gross of about \$250,000 a year.

Veronica Zietz, Arc of Bismarck: See Attachment #2 in support of bill.

John Risch, United Transportation Union: Testified in support of bill. I encouraged the resubmission of this bill from last session. It is good targeted tax relief.

Chairman Cook: Recessed until 2:30 PM.

01/28/2009 2:30PM

Job 8037 begins here.

Chairman Cook: Reopens hearing on SB 2340.

Senator Joan Heckamann, District 23: Introduced and testified in support of bill and as a sponsor. This is focusing on non-profit thrift stores. The rationale for this bill comes from the fact that these items purchased have previously met the sales tax criterion when they were purchased new. Many different items are purchased in the thrift stores by people who need

them. This would eliminate the re-tax on goods already taxed, and it would provide a small amount of tax relief for families whose economic situation would benefit from not taxing these items again.

Lisa Askim-Olson, Vice President-Retail Operations for Dakota Boys and Girls Ranch:

See Attachment #4 for testimony in support of the bill. Our thrift stores exist to help fund the programs at Dakota Boys and Girls Ranch. We support this bill for two reasons; one, because it could help increase sales, and two, it will allow customers to purchase more items that they need at a reasonable cost. We do have one store in Moorehead, MN, that does not tax clothing and their clothing sales are 40% of our total store sales, whereas our North Dakota stores are about 30-32%.

Senator Anderson: Do you know how much sales tax you have collected?

Lisa Askim-Olson: Last fiscal year we collected \$205,000.

Chairman Cook: Minnesota just exempts clothing?

Lisa Askim-Olson: That is correct.

Richard Ott, Executive Director of AID, Inc.: See Attachment #3 for testimony in support of bill. The bottom line is that it gives our consumers more purchasing power, as well as less book keeping duties for us.

Chairman Cook: You say you pay \$11,500 in sales tax?

Richard Ott: That is correct.

Discussion: A few questions were asked of Richard Ott by Chairman Cook on whether they offer counseling at their facility, and what exactly they do provide.

Chairman Cook: I understand your pain. Is there any further testimony in support? (No) opposed? (No) neutral? (No)

Connie Sprynczynatyk, North Dakota Department of Commerce: I just wanted to note that there are now 19-20 bills in the hopper that have an impact on sales tax, and if they impact state sales tax, they impact local sales tax. This may be deemed a very worthy exemption because of the good work that is done by these organizations, but we have decided that you would get tired of us very quickly if we popped up every time you looked at a sales tax exemption to remind you that it impacts local sales tax. Our concern is not the work done by the organizations it is really the number of exemptions that we already have in the books and they do seem to be growing.

Chairman Cook: I would advocate that we eliminate all the exemptions and cut the sales tax rate in half.

Connie Sprynczynatyk: If I were in charge of the world I think that is what we would do.

Discussion: There was a discussion amongst the committee about the bills being heard and what the preferences would be on the exemptions that should be allowed etc. being that the exemptions are before the committee. The fact that there are many issues that come into play with each bill was also discussed.

Chairman Cook: Closed hearing on SB 2340.

2009 SENATE STANDING COMMITTEE MINUTES

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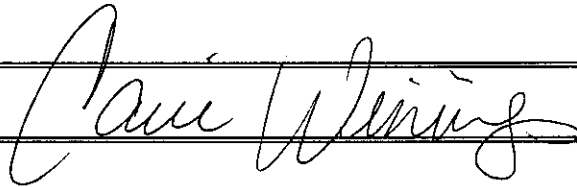
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 02/03/2009

Recorder Job Number: 8516

Committee Clerk Signature



Minutes:

Chairman Cook: Reopens discussion on the bill. This has been an annual bill.

Senator Triplett: It's time has come don't you think. I know there is another bill floating around that would exempt this possibly too. You are talking about a necessity of life for a lot of low income people and these are already taxed items once in their life. There is a pretty good argument for this bill.

Senator Anderson: This is a good exemption for the right kind of people, it's a good bill.

Senator Anderson: Motioned for a Do Pass.

Senator Dotzenrod: Seconded.

Chairman Cook: Discussion?

Vice Chairman Miller: My feeling is that I advise against a do pass. This is just one more exemption. How do we define a thrift store? At the end of the day, why even have sales tax.

Senator Dotzenrod: Notes that the fiscal not is reasonable, and agrees with Senator Triplett's comments.

Chairman Cook: Any further discussion?

A Roll Call vote was taken: Yea 5, Nay 2, Absent 0.

Senator Anderson will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/21/2009

Bill/Resolution No.: SB 2340

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 | | | (\$667,000) | (\$58,000) | | |
| 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 2340 creates a sales tax exemption for sales by thrift stores owned and operated by nonprofit entities.

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.*

If enacted, SB 2340 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$725,000 in the 2009-11 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.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

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

| | | | |
|----------------------|----------------------|-----------------------|----------------------------|
| Name: | Kathryn L. Strombeck | Agency: | Office of Tax Commissioner |
| Phone Number: | 328-3402 | Date Prepared: | 01/27/2009 |

Date: 02/03/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 2340

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Senator Anderson Seconded By Senator 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 | ✓ | | | | |
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Total: Yes 5 No 2

Absent 0

Floor Assignment Senator Anderson

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

REPORT OF STANDING COMMITTEE (410)
February 4, 2009 4:46 p.m.

Module No: SR-22-1676
Carrier: Anderson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2340: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2340 was placed on the Eleventh order on the calendar.

2009 SENATE APPROPRIATIONS

SB 2340

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2340

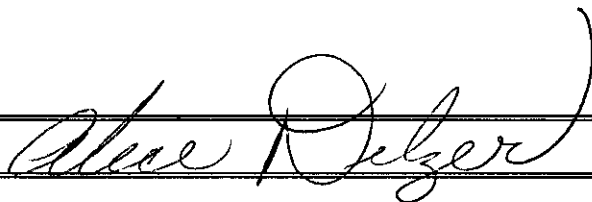
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-16-09

Recorder Job Number: 9529

Committee Clerk Signature



Minutes

V. Chair Grindberg called the committee hearing to order at 11:30 am in reference to SB - 2340 in regards to sales and use tax exemption for sales by thrift stores owned and operated by nonprofit corporations.

Senator Heckaman District 23 testified in favor of SB 2340. It would only apply to the

nonprofit thrift stores. I think we need to consider this as a retax. All the items that are sold in these nonprofit stores have already been purchased someplace and had a tax on it. What we are doing here is retaxing on goods that have already been taxed before. I started this out as just a clothing bill but in visiting with the people in my district I found out that many of the families find that thrift stores are their main stores for furniture. So I think that retaxing on this is something we need to get away from. When we have rummage sales we don't pay a tax on our sales.(30.22) Look at the fiscal note on the second page. Remember this is a retax.

V. Chair Grindberg asked if there were any questions. Is there any further testimony? Any opposition to 2340. No to all comments. We will close the hearing on 2340 and table this bill until we have a full committee. He asked if there are any more bills that are ready. No one replied. The committee stands adjourned until after session.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2340

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-17-09

Recorder Job Number: 9630

Committee Clerk Signature

Alison Rulzer

Minutes:

Chairman Holmberg opened the hearing on SB 2340.(08.06) the bill gives the sales tax for thrift stores.

Senator Christmann MOVED DO NOT PASS. SECONDED BY V. Chair Grindberg

Roll call was taken on a DO NOT PASS ON SB 2340. 8 yeas, 6 nays, 0 absent. Senator

Christmann will carry the bill.

Chairman Holmberg closed the hearing on SB 2312.

Date: 2/17/09

Roll Call Vote # 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2340

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Christmann Seconded By Grindberg

| Senators | Yes | No | Senators | Yes | No |
|-----------------------------|-------------------------------------|----|------------------------|-----|-------------------------------------|
| Sen. Ray Holmberg, Chairman | <input checked="" type="checkbox"/> | | Sen. Aaron Krauter | | <input checked="" type="checkbox"/> |
| Sen. Bill Bowman, VCh | <input checked="" type="checkbox"/> | | Sen. Elroy N. Lindaas | | <input checked="" type="checkbox"/> |
| Sen. Tony S. Grindberg, VCh | <input checked="" type="checkbox"/> | | Sen. Tim Mathern | | <input checked="" type="checkbox"/> |
| Sen. Randel Christmann | <input checked="" type="checkbox"/> | | Sen. Larry J. Robinson | | <input checked="" type="checkbox"/> |
| Sen. Tom Fischer | <input checked="" type="checkbox"/> | | Sen. Tom Seymour | | <input checked="" type="checkbox"/> |
| Sen. Ralph Kilzer | <input checked="" type="checkbox"/> | | Sen. John Warner | | <input checked="" type="checkbox"/> |
| Sen. Karen K. Krebsbach | <input checked="" type="checkbox"/> | | | | |
| Sen. Rich Wardner | <input checked="" type="checkbox"/> | | | | |
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Total Yes 8 No 6

Absent _____

Floor Assignment Christmann

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

DNP

REPORT OF STANDING COMMITTEE (410)
February 17, 2009 10:47 a.m.

Module No: SR-31-3072
Carrier: Christmann
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2340: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO NOT PASS (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). SB 2340 was placed on the Eleventh order on the calendar.

2009 TESTIMONY

SB 2340

#1
January 26, 2009

TO: SENATE FINANCE & TAXATION COMMITTEE

FROM: Dianne Sheppard, Executive Director
The Arc, Upper Valley/The Arc of North Dakota
2500 DeMers Avenue
Grand Forks, ND 58201
701-772-6191
dsheppard@arcuv.com

RE: SB 2340

Senator Cook and committee members: My name is Dianne Sheppard. I am Executive Director for The Arc, Upper Valley in Grand Forks and an official spokesperson for The Arc of North Dakota. I ask that you support SB 2340.

There are a number of nonprofit corporations in North Dakota which rely heavily on the proceeds from their thrift store to fund their mission. The Arc is a prime example. The Valley Thrift Shoppe in Grand Forks is our biggest and most stable source of funding for our organization.

Exempting nonprofit corporations from paying sales tax is not a new thought. Nonprofits had this exemption in the past. The sales tax on nonprofits was implemented due to a shortfall in the general fund.

People who donate merchandise to an organization's thrift store do so to help fund the mission of that organization. People who volunteer to work in those thrift stores do so for the same reason. Customers who shop in thrift stores do so for a variety of reasons, but for many buying second hand is what they can afford. These customers take into account the total cost of the sale, not just the cost of the purchased item. Minnesota does not have a sales tax on thrift sales, and we do have customers who will drive the few extra miles across the Red River to East Grand Forks to avoid the sales tax.

[OVER]

Thrift stores are also limited in what they can ask for used merchandise. Used clothing for example is only going to be worth so much. Raising prices to cover the cost of inflation does not work when selling second-hand merchandise.

The cost of operating a thrift store has been accelerating. Operations are labor intensive, and the high cost of energy and liability insurance is eating away at net proceeds. The minimum wage increases also have an impact on available net proceeds.

Passing SB 2340 will help nonprofit corporations like The Arc keep more of their fund raising dollars to support their mission and will result in lower and more affordable clothing and similar merchandise for people with developmental disabilities and others with limited incomes.

Thank you for your consideration. I would be happy to respond to any questions you may have.

The Arc is an advocacy organization. The Arc advocates for the rights and full participation of all children and adults with intellectual and developmental disabilities. Together with our network of members and affiliated chapters, we improve systems of supports and services; connect families, inspire communities and influence disability policy.



The Arc of Bismarck

1211 Park Avenue
Bismarck, ND 58504
Phone/Fax: 701-222-1854
arcbis@midconetwork.com
www.thearcofbismarck.org

Testimony of Support Senate Bill No. 2340 January 28, 2009

Good morning Chairman Cook and members of the Finance and Tax Committee. My name is Veronica Zietz (#166); I am the Executive Director at The Arc of Bismarck, and am here today representing The Arc of Bismarck and The Arc of Cass County.

The Arc of Bismarck owns and operates a single thrift store and The Arc of Cass County has two thrift stores located in Fargo. Income realized from our thrift stores heavily subsidizes our organizational activities. Any monies gained from sales go first towards our direct operating expenses and then towards the many valuable programs and services which we provide. All of our programs and services work towards providing education, advocacy, and supports to children and adults with disabilities to foster empowerment and full inclusion in the community. The various activities provided to our members and our communities include educational events, social gatherings, information and referral services, individual and systems advocacy, self-advocacy supports, and various other efforts.

I support Senate Bill No. 2340 because it would provide for an exemption of sales and use tax for nonprofit thrift stores. Under current law sales and use tax is levied on all personal tangible property and services. This law would provide our thrift stores exemption from a sales tax of 6% in Bismarck and 6.5% in Fargo. This bill has the obvious potential to result in increased sales for thrift stores, because customers are more likely to buy more with an apparent savings in sales tax. Though this appears to me a minimal expense it would make a noticeable difference to The Arc when providing quality services and programs to our constituents.

At times it seems many of our customers are working class people; those who don't have a substantial discretionary income. Perhaps it is even fair to say that sales tax levied on thrift stores is an example of double taxation which unjustly targets the, at times less fortunate individuals which patronize our establishments. This sales tax exemption will not only benefit these individuals but also the community. I believe this bill could potentially result in a "trickle down effect," meaning an exemption of sales tax for thrift stores would put our customers in a more favorable position; with more money in their pockets one could possibly see increased sales in other sectors of the economy, areas of the economy where North Dakota could benefit from seeing increased expenditures.

The legislation that is being recommended in Senate Bill No. 2340 will provide for a much needed sales and use tax exemption for thrift stores. The passage of this bill would result in improved programs and services for the individuals with disabilities and communities served by The Arc; it would also benefit the individuals that shop in our stores and the overall economic situation in North Dakota.

Please support Senate Bill No. 2340. Thank you for your time and attention.

Providing education, advocacy and supports to children and adults with disabilities to foster empowerment and full inclusion in the community.

#3
January 28, 2009

Testimony in Favor of SB 2340

My name is Richard Ott and I am the executive director of AID, Inc., a not-for-profit organization serving the Burleigh / Morton community.

We operate two thrift stores. Brighten's of Bismarck and Brighten's of Mandan. These two stores are the primary funding source for our charitable work. Each store generates a gross income of approximately \$7,400.00 per month. We pay all overhead from this (Ten employees, only one of whom is full time, utilities, taxes, insurance, postage, supplies, fees, etc.)

We also operate a food pantry and help center at each site.

Our total budget for FY 2009 is just over \$300,000.00

We depend upon approximately 100 volunteers to keep the effort going. The store manager at Mandan is completely a volunteer. Three of the employees are paid minimum wages.

Every cent we receive from sales, grants (United Way, FEMA, Emergency Food and Housing, Community Development Block Grant), donations (individual, churches, businesses, and organizations) or from any source whatsoever goes directly into services provided. Our basic services are emergency in nature, and not long-range.

We primarily serve the working poor by assisting with utility payments, rent, mortgage payments, emergency housing, food, transportation and any other activity that might help keep a person or family in a home, thus reducing homelessness and hunger

AID, Inc is governed by a nine-person board of directors all of whom serve with absolutely no compensation – not even expense reimbursement.

We currently pay approximately \$11,500 per year in quarterly payments for sales taxes. This money is collected at the time of the sale. If 2340 becomes law, we will not have to do this collecting nor will we have to file the quarterly reports with the accompanying reports and payments.

A major benefit is that our prices can be determined without adding sales tax and that would be a savings to our clientele. We would see a wash of the monetary side, but would save time and effort of the mechanical side.

I respectfully ask for your "Do Pass" on this bill

Thank you for your time.

#4

Senate Bill 2340

Chairman Cook and Members of the Finance and Taxation Committee:

My name is Lisa Askim-Olson, Vice President of Dakota Boys and Girls Ranch Thrift Stores. We operate six thrift stores in the state of North Dakota.

I am here to testify in support of Senate Bill 2340 which would alleviate sales tax from thrift store sales.

The Thrift Stores exist to help fund programs at DBGR. This last year DBGR provided a home for 415 boys and girls in our residential programs across North Dakota.

The passage of this bill could increase sales and allow our customers to purchase more items that they need at a reasonable cost. To support this idea, our store in Moorhead, MN currently does not tax clothing and the clothing sales account for 40% of total sales in comparison to our ND stores, where clothing sales only account for 32% of our total sales, an 8% difference. This past fiscal year our sales tax submission was \$205,000.

Additionally, these items were taxed when purchased. Since our products are donated to us, the items would be essentially taxed a second time.