

FISCAL NOTE
Requested by Legislative Council
04/24/2015

Amendment to: SB 2340

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(500,000)			
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

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

Engrossed SB 2340, with Conference Committee Amendments, changes the provisions governing the income tax credit for purchasing machinery and equipment for the purpose of automating a manufacturing process.

- 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.*

Current law allows an income tax credit to certified primary sector businesses equal to 20% of the purchase price of automation and robotic machinery and equipment that is acquired to automate a manufacturing process. The law limits the total credits allowed to all taxpayers to \$2 million per calendar year, which are allowed on a first come, first serve basis according to the date of purchase.

Engrossed SB 2340, with Conference Committee Amendments, will make the following changes to the law: First, it expands an eligible purchase to include an acquisition by means of a "lease-purchase" agreement. Second, it lowers the annual cap on the total credits allowed to all taxpayers each year from \$2 million to \$500,000. Third, it provides that if part of the \$500,000 annual cap for all taxpayer is not used, the unused portion may be rolled over and added to the cap for the following year. Fourth, if the annual cap (including any unused cap rolled over from the previous year) is reached, the total credits allowed under the cap must be prorated among the qualifying taxpayers. And, fifth, it sunsets at the end of 2017.

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.*

The \$2 million cap under current law was reached in 2013 and 2014, the first two years of the automation income tax credit program. Based on the interest in and use of the program for the first two years, it was expected that the \$2 million cap would also be reached in 2015. However, if enacted, Engrossed SB 2340, with Conference Committee Amendments, is expected to significantly reduce the amount of credits claimed under the program due to the new and revised limitations on the allowable credits. Assuming the same number of qualifying taxpayers in 2013 and 2014 (9 and 13, respectively), the enactment of this bill could reduce state general fund revenues by \$500,000 for the second year of the 2015-17 biennium.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 04/24/2015

FISCAL NOTE
Requested by Legislative Council
04/09/2015

Amendment to: SB 2340

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(220,000)			
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

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

Engrossed SB 2340, with House Amendments, changes the provisions governing the income tax credit for purchasing machinery and equipment for the purpose of automating a manufacturing process.

- 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.*

Current law allows an income tax credit to certified primary sector businesses equal to 20% of the purchase price of automation and robotic machinery and equipment that is acquired to automate a manufacturing process. The law limits the total credits allowed to all taxpayers to \$2 million per calendar year, which are allowed on a first come, first serve basis according to the date of purchase.

Engrossed SB 2340, with House Amendments, will make the following changes to the law: First, it expands an eligible purchase to include an acquisition by means of a "lease-purchase" agreement. Second, it adds a new limitation providing that a taxpayer, including a passthrough entity, is allowed a maximum credit of \$10,000 per year. Third, it lowers the annual cap on the total credits allowed to all taxpayers each year from \$2 million to \$500,000. Fourth, it provides that if part of the \$500,000 annual cap for all taxpayer is not used, the unused portion may be rolled over and added to the cap for the following year. Fifth, if the annual cap (including any unused cap rolled over from the previous year) is reached, the total credits allowed under the cap must be prorated among the qualifying taxpayers. And, sixth, it sunsets at the end of 2017.

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.*

The \$2 million cap under current law was reached in 2013 and 2014, the first two years of the automation income tax credit program. Based on the interest in and use of the program for the first two years, it was expected that the \$2 million cap would also be reached in 2015. However, if enacted, Engrossed SB 2340, with House Amendments, is expected to significantly reduce the amount of credits claimed under the program due to the new and revised limitations on the allowable credits. Assuming the same number of qualifying taxpayers in 2013 and 2014 (9 and 13,

respectively), the enactment of this bill could reduce state general fund revenues from \$180,000 to \$260,000 for the 2015-17 biennium.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 04/13/2015

FISCAL NOTE
Requested by Legislative Council
02/11/2015

Amendment to: SB 2340

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(2,000,000)			
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

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

Engrossed SB 2340 expands the provisions regarding the income tax credit for purchasing machinery and equipment for the purpose of automating a manufacturing process. The bill also removes the sunset on the tax credit.

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

Current law allows an income tax credit to certified primary sector businesses equal to 20% of the purchase price of automation and robotic machinery and equipment that is acquired to automate a manufacturing process. The law limits the total credits allowed to all taxpayers to \$2 million per calendar year, which are allowed on a first come, first serve basis according to the date of purchase. Engrossed SB 2340 will make three changes to the law: First, it expands an eligible purchase to include an acquisition by means of a "lease-purchase" agreement. Second, if the \$2 million credit ceiling is reached, the bill requires that the \$2 million in credits are to be prorated among the qualifying taxpayers based on their respective qualifying purchases. And, third, it makes the changes effective for tax years 2015 and after. (Under current law, the credit would sunset at the end of 2015.)

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.*

The \$2 million cap was reached in 2013 and 2014, the first two years of the automation income tax credit program. Based on the interest in and use of the program for the first two years, it is expected that engrossed SB 2340 will reduce state general fund revenues by -\$2 million for the second year of the 2015-17 biennium. The fiscal impact for the first year of the 2015-17 biennium, which also is expected to reach the -\$2 million credit ceiling, is attributable to previously enacted law, and contained in the existing, baseline forecast. Therefore, only the second year of the biennium - and subsequent biennia - are affected.

- 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.*
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Name: Kathryn L. Strombeck

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Date Prepared: 02/12/2015

FISCAL NOTE
Requested by Legislative Council
01/26/2015

Bill/Resolution No.: SB 2340

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(2,000,000)			
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
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SB 2340 expands the provisions regarding the income tax credit for purchasing machinery and equipment for the purpose of automating a manufacturing process. The bill also removes the sunset on the tax credit.

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Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 02/07/2015

2015 SENATE FINANCE AND TAXATION

SB 2340

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
2/9/2015
Job #23450

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to an income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes; and to provide an effective date.

Minutes:

Attachments

#1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16,17,18

Chairman Cook opened the hearing on SB2340.

Senator Tom Campbell, Dist. 19, presented the bill. (Attachment #1)

Keith Lund, President, Economic Development Association.
(Attachment #2)

Guy Moos, President, Baker Boy (Attachment #3)

Jay Beyer, Vice President, Pivotal Edge, Inc. (Attachment #4)

Kristin Hedger, Vice President Killdeer Mountain Manufacturing, (Attachment #5)

Douglas Anderson, CFO, Swanson Health Products (Attachment #6)

Carl Peterson, President, Peterson Farms Seed, (Attachment #7)

Jane Priebe, Director, Wahpeton Economic Development (Attachment #8)

JoAnn Rodenbiker, Director of Business, Northern Plains Electric Cooperative
(Attachment #9)

Shawn Wenko, Executive Director, Williston Economic Development (Attachment
#10)

John Phillips, Development Director, Beulah Economic Development/Lutheran Social
Services of North Dakota (Attachment #11)

Jim Gartin, President, Greater Fargo Moorhead Economic Development Corporation

I am also here on behalf of the Valley Prosperity Partnership which is a regional group of business executives in the valley that support economic growth. As we move forward and have looked at this from our standpoint, the extension of the automation tax credit is absolutely critical for the continued success of businesses, not only within the valley, but across the state of North Dakota. In our region the lack of highly skilled and educated workers are limiting our company's ability to grow and to sustain their current growth. We've actually seen companies moving production outside of this region to other locations and other plants around the country because of the lack of workers. So our only

opportunity is that for automation to be able to stay competitive. We strongly feel that the automation tax credit is an important process to our community and to the state, as a whole. We recommend the support of this committee.

Senator Dotzenrod -- A lot of your testimony is based on the idea that we don't have enough technical workers. I am wondering do you also appear in front of committees that are working on workforce training and supporting those efforts; the budget for a 2 year technical college or training? There are alternatives to just replacing people with machines. We are going to need workers. Some of this can't be done by robotics. Are you also getting at the other side of this problem: how can you use your influence to see that the state puts in place these things that are going to get us more technical workers?

Jim Gartin -- Right now 70% of what we do is workforce development in our economic development organization, and a lot of that is with education. We are very supportive of NDSCS and their 2 year programming. We're also very, very supportive of their ability to be able to expand their local presence in the Fargo area. Across that whole spectrum of education we think that that's the critical component. That is where we are spending the majority of our time right now.

**Bryan Bossert, Operation Manager John Deere Electronic Solutions in Fargo
(Attachment #12)**

I think SB2340 would significantly enhance economic growth in the state, reduce the tax burden on growing businesses, reduce some of the outsourcing that we see happening and create that vital manufacturing base.

Senator Triplett -- I presume you mean that the credit will have to wait until the year is done before anyone knows to what extent they are getting a tax credit. It sort of takes away the rest of your argument about competing internally inside your global company for investments because you won't be able to know for a full year if you are actually getting that credit. How does this bill really help?

Bryan Bossert -- First of all we've taken advantage of it in the past. As we go forward, we're going to assume that we can get the credit going forward. If we move into a situation where we start to get heavily prorated because many manufacturers are taking advantage of it in the state, I think that is going to be a good thing. I was here for the creation of the automation tax bill. I'm here now to say I don't think we should sunset it. I think we should keep it out there.

Senator Oehlke -- Is this way of doing tax relief better than reduction in corporate taxes? If you had a choice, what do you want?

Bryan Bossert -- I'm not the best person to speak to that. In general, the opportunities that we've been able to take advantage of in this state, at John Deere, with some of the incentives that we've done with new investment in buildings and now the automation tax credit, all of those things go together to make a good economic climate. For our business, we make a lot of investments in capital equipment. This type of tax relief is really good for those investments.

T.J. Russell, CEO Cloverdale Foods Company (Attachment #13)

On March 13, 2015, Cloverdale will formally be 100 years old.
Asking for passage of SB2340.

Chairman Cook -- Are you still selling hot dogs to Seattle Mariners?

T.J. Russell -- Seattle, the whole I-5 corridor is now in close competition with our number #1 market.

Chairman Cook -- Are you making that in Mandan yet?

T.J. Russell -- It's all made in Mandan.

Chairman Cook -- So when I say it's still a Mandan-made hotdog sold at a Seattle Mariners game?

T.J. Russell -- We've quite a relationship there. It goes back to 1998 when they opened up the new ballpark. We do a number of minor league stadiums throughout the lower 48. Obviously we are affiliated with every college, every arena in the state.

Senator Oehlke -- Good job on the peppered bacon.

**Peter Rackov, CFO, Steffes Corporation
(Attachment #14)**

Encourage the committee to recommend approval for SB2340

**Tony Richards, CEO, Impact Dakota, formerly Dakota MEP
(Attachment #15)**

The automation tax credit extension is a critical tool that will allow all of our manufacturing base to remain competitive on all levels both today and for years to come. Request support of SB2340.

Chairman Cook -- What's Impact Dakota?

Tony Richards -- Impact North Dakota is the new name of formerly DakotaMEP.

Chairman Cook -- And what was formerly DakotaMEP?

Tony Richards -- It was manufacturing enterprise and performance. We serve and work with the manufacturers in North Dakota to provide different services to them; to their staff and to their operation overall.

Chairman Cook -- For profit?

Tony Richards -- We are non-profit.

Chairman Cook -- This category: food, beverage and tobacco must be a common category by the bureau of economic analysis. Surely we aren't exporting tobacco out of North Dakota, are we?

Tony Richards -- No, we are not. This is a common category.

Jon Godfread, Vice President, Government Affairs, Greater North Dakota Chamber (Attachment #16)

We stand in support of SB2340. Our manufacturers are facing the challenge of doing more with less and this helps in that arena. From the chambers standpoint, we echo Mr. Gartin's comments that we are more involved now than we ever have been on the educational side of things and workforce development programs, even all the way down to the pre-k level.

Chairman Cook -- We have all had a lot of other written comments in support.

Neutral testimony

Matt Peyerl, Office of State Tax Commissioner

I believe Ms Wald has an amendment for a technical change for the definition of purchase lease that is in the bill, to use the more appropriate accounting term of capital lease which is still the intent of the sponsors of the bill.

Chairman Cook. We will get Ms Wald up here to explain her amendment. Or, can you?

Matt Peyerl -- I can explain it. The primary change would be changing the wording of the lease purchase agreement with the term capital lease and then defining capital lease as it's a qualifying lease, using generally accepted accounting principles. That's basically the substance of that amendment and then there's a couple clean-up language changes there as well. **(Attachment #17)**

Chairman Cook -- How close have we gotten to the \$2 billion cap in the past?

Matt Peyerl -- The first year of the credit was based on calendar year 2013 purchases and there was approximately \$2.1 million of qualified credits so we did hit the cap just by a bit in 2013 calendar year. 2014 calendar year, those applications are still under review but the preliminary estimate looks like we will exceed it again. Very similar to 2013, about \$2.1 million. There are some purchases that are excluded because of the cap being hit.

Chairman Cook -- Are they able to carry that credit over then?

Matt Peyerl -- There is no carryover provision for the credit, as it's earned, that exceeds the cap. For earned credits, there is a carryover provision. But if credits exceed the cap, those are locked out of the program. We start fresh with the next calendar year for a \$2 million allotment. That is the existing law that is applicable for 2013, 2014, 2015 calendar years.

Chairman Cook -- Usually when I see fiscal notes on new tax credits, the fiscal note will read something like "undeterminable". We put a \$2 million cap on and all of the sudden we

got a fiscal note of \$2 million. If I was to remove the cap does that make the fiscal note zero?

Matt Peyerl -- With the experience of 2 years under our belt, we've seen about \$2+ million each year. If the cap were removed I don't know what they would do with the note. Maybe it would go up a bit or maybe that would revert it to a cannot determine. The one change that the bill will have is that it is opening it up to leased equipment, instead of just an outright purchase via a lease. We would anticipate more qualifying equipment. It would then be more likely that the cap would be met.

Senator Laffen -- Lease-purchase. Sometimes you don't actually purchase those. At the end you have an option, usually. Would it make any difference to you if somebody didn't opt to purchase at the end and it was just a lease? Would they still qualify?

Matt Peyerl -- The purchase option in a lease is only one of the criteria that qualifies a lease as a capital lease. There are 4 different criteria and it's kind of an accounting terminology, in that if it's a lease that at least $\frac{3}{4}$ of the life of the equipment, it will qualify as one of these purchase leases. If there's a bargain purchase option at the end, it's another one. If the value of the lease payments over the life is at least 90% of the value of the equipment, it qualifies. It's really any lease, other than what they call an operating lease which is a month-to-month rent income, rent expense. Those are the types of leases that don't qualify. Basically all other types of leases where you are effectively just financing the purchase, that's what this change is targeting.

Chairman Cook -- Shoot what you just said to the committee clerk so that is in the record.

(Attachment #18) from Matt Peyerl

Senator Oehlke -- This credit is for the purchase on leased equipment as well as purchased equipment. There might also be a sales tax credit, as well?

Matt Peyerl -- There are exemptions from sales tax on certain pieces of equipment and that is completely independent of this credit. Certain equipment does qualify for a sales tax exemption. It could still qualify for this type of credit, assuming it met the other criteria.

Senator Oehlke -- And that is true of leased equipment as well, right?

Matt Peyerl -- I believe that is true, as well, if it's considered a purchase for sales tax purposes, it would qualify for the sales tax exemption.

Senator Oehlke -- Leases have sales tax regardless, don't they?

Matt Peyerl -- Correct, they do.

Senator Oehlke -- So, would it matter?

Matt Peyerl -- Sales tax on leases can be charged in two different ways: charged and paid up front on the entire value of the piece of equipment; or it can be charged and paid monthly. There is an option for leased equipment for sales tax purposes.

Chairman Cook closed the hearing on SB2340.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
2/10/2015
Job #23549

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Attachment #1, #2

Chairman Cook opened the committee work on SB2340.

Senator Triplett -- We should probably move the amendment.

Chairman Cook -- The definition of the lease-purchase agreement?

Senator Triplett -- Right. If it's in order, I would move amendment 15.0991.01000.
(Attachment #1)

Chairman Cook -- Motion by Senator Triplett. Seconded by Senator Laffen to amend .01000. Discussion?

Senator Triplett -- My only question is whether he thinks that the general accounting principles will maintain this definition for the foreseeable future, or if we should just be referencing that?

Chairman Cook -- I think we got an e-mail from Matt explaining.

Voice vote in favor of motion to amend 01000. Unanimous vote in favor.

Chairman Cook -- If you remember, committee, early this session we passed SB2057 that required a review of all economic development incentives. That bill passed, I believe, 7-0. One little thing that we probably should had in that bill and that is that any economic development tax incentive created by the 64th legislative assembly would be added to the list of all the incentives that were listed in that bill. That is all that this amendment does is see that that happens. So any economic development incentives that we pass this session will get added to the list in the bill and will be subject to a review within that 6 year cycle.

Senator Bekkedahl -- I would move the approval of the additional amendment 15.0991.01001. **(Attachment #2)**

Seconded by Senator Oehlke.

Voice vote unanimous.

Chairman Cook -- We have before us SB2340, as amended, and it has to go to appropriations.

Senator Unruh -- Move a do pass on SB2340, as amended, as rerefer to appropriations.

Seconded by Senator Bekkedahl.

Senator Dotzenrod -- It's an income tax credit for manufacturing and equipment to automate manufacturing. Is this the kind of thing that would only be appropriate and sensible and make good tax policy in manufacturing? Or, is there some reason that we would just want this in manufacturing and not in other kinds of plant and process work that goes on in the state? I think that you can make the argument that manufacturing is more dependent on labor and more depend on having a trained workforce there. Our economy is really quite dependent on commodities. We do a lot of commodities in North Dakota, whether it's mineral resources or agricultural. We might expect if we pass this we would have some "me too" follow-on in years ahead. On its face I don't see anything wrong with this bill but I do think that we are singling out manufacturing for this tax credit. It's an observation, but we are setting sort of a precedent when we pass this.

Chairman Cook -- What we are doing is removing a sunset, basically. I'm looking at the definition for manufacturing machinery. It means automation and robotic equipment and there is a definition for primary sector businesses. That sets the boundaries as to who might receive: it has to be a primary sector business certified by the department of commerce.

Senator Dotzenrod -- I am thinking that primary sector would be a lot of the commodity processing that we are doing.

Chairman Cook -- Cloverdale?

Senator Dotzenrod -- And Cloverdale and some of the commodities. We've had this and it had a sunset. It does have some limits and the credits that can be claimed. We do monitor how much of it is being used. From that point of view we will always have a handle on it.

Senator Triplett -- I appreciate the second amendment that we just added to put this on the list of evaluating it and I think that is the right thing to do, assuming that we pass the bill, but it does occur to me that we put these things on as pilot programs for one biennium and then, to no one's surprise, people come back and say "we like that and please take the sunset off", and we do that and without any real appreciable analysis. I don't have a particular issue with this bill but it just feels like one more friendly give-away to industry to

say that we are a friendly state open to business. It would make more sense to me if we would put a 6 year sunset on it.

Chairman Cook -- Senator Triplett, I couldn't agree with you more. We sit here and we don't have the data. I wish this review committee that we are establishing would have been established 10 years ago. I've thought of putting a 2 year sunset on every economic development that we may pass this session, which would then force this review committee to review it this biennium. We would require them to make that number 1 on their list. If we put a 6 year, they have the flexibility to wait the entire 6 years. I've had the same thoughts through my mind. My conclusion is that if there is something that we really are not sure of, we should get it reviewed immediately.

Senator Triplett -- This one is actually reasonably low on my list. That is why I suggested the 6 year. Since it is new, put it to the bottom of the list and start working on some of the ones that have been around longer that are more questionable. I would leave that to the committee's discretion.

Chairman Cook -- We had a conversation in the interim committee when we were working on the economic development senate bill to sunset every economic development with the bill. Then it would require the study to decide whether they wanted to introduce legislation to either remove or extend the sunset.

Senator Laffen -- Would that study have the ability to recommend some of those things that we would set a policy to do something like that?

Chairman Cook -- Sure.

Senator Laffen -- The hard part of that, when we get into that study, is going to be the data of jobs created. That stuff is really hard to find and a lot of it is subjective.

Chairman Cook -- If you can't find the data, some might say, you need the data to keep the incentive.

Senator Triplett -- The reason that we haven't done it in the past is because we really haven't had the sense that we knew how very well. That is the beauty of the information that you brought forward from the PEW Charitable Trust. If his group has developed software that will allow us to do the analysis on the data, if the data is good, that could be an improvement in analysis.

Senator Laffen -- I come back to the other bill. It is really a good bill. In our committee I know of a firm that just went to my city council and got a property tax exemption 3 times to create 25 jobs each time. And they are still only 15 people. That is the problem with a lot of this tax policy. It would be really good to review all of that.

Senator Bekkedahl -- I agree with Senator Laffen, having been involved in our economic development for 20 years now, what I've seen is we are really good at taking applications, we're really good at listening to the jobs created, but there is never any follow-up, at the local level. And that's where the follow-up has to be to report back to this committee or the

Senate Finance and Taxation Committee

SB2340

February 10, 2015

Page 4

state. How we do that in the committee analysis, and it's tough for the locals to do that but somebody down there has to be getting that information back.

Chairman Cook -- We have a motion for a do pass, as amended, and rerefer on SB2340. Discussion?

Roll call vote 7-0-0.

Carrier: Senator Bekkedahl

PROPOSED AMENDMENTS TO SENATE BILL NO. 2340

Page 1, line 13, overstrike "costs" and insert immediately thereafter "cost"

Page 1, line 14, overstrike "incurred in the taxable year to purchase" and insert immediately thereafter "of the"

Page 1, line 14, overstrike "for"

Page 1, line 15, overstrike "the purpose of automating manufacturing processes" and insert immediately thereafter "purchased in the taxable year"

Page 2, line 1, replace "acquisition through a lease-purchase agreement" with "manufacturing machinery and equipment acquired under a capital lease only for the taxable year in which the lease is executed. A capital lease is a lease which meets generally accepted accounting principles. The qualifying cost of the equipment acquired under a capital lease is the fair market value of the equipment at the inception of the lease"

Page 2, line 12, replace "any" with "a"

Page 3, line 12, replace "taxable years beginning after" with "purchases made after"

Renumber accordingly

February 9, 2015

PROPOSED AMENDMENTS TO SENATE BILL NO. 2340

Page 1, line 1, after "Act" insert "to create and enact a new subdivision to subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly, relating to regular evaluation of economic development tax incentives created by the sixty-fourth legislative assembly;"

Page 1, after line 4, insert:

"SECTION 1. A new subdivision to subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly, is created and enacted as follows:

Any economic development tax incentive created by the sixty-fourth legislative assembly."

Renumber accordingly

TM
2/10/15

PROPOSED AMENDMENTS TO SENATE BILL NO. 2340

Page 1, line 1, after "Act" insert "to create and enact a new subdivision to subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly, relating to regular evaluation of economic development tax incentives created by the sixty-fourth legislative assembly;"

Page 1, after line 4, insert:

"SECTION 1. A new subdivision to subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly, is created and enacted as follows:

Any economic development tax incentive created by the sixty-fourth legislative assembly."

Page 1, line 13, overstrike "costs"

Page 1, line 14, overstrike "incurred in the taxable year to purchase" and insert immediately thereafter "cost of the"

Page 1, line 14, overstrike " for"

Page 1, line 15, overstrike "the purpose of automating manufacturing processes" and insert immediately thereafter "purchased in the taxable year"

Page 2, line 1, replace "acquisition through a lease-purchase agreement" with "manufacturing machinery and equipment acquired under a capital lease only for the taxable year in which the lease is executed. A capital lease is a lease which meets generally accepted accounting principles. The qualifying costs of the equipment acquired under a capital lease is the fair market value of the equipment at the inception of the lease"

Page 2, line 12, replace "any" with "a"

Page 3, line 12, overstrike "taxable years beginning after" and insert immediately thereafter "purchases made after"

Renumber accordingly

Date: 2-10-15

Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2340

Senate Finance and Taxation Committee

Subcommittee

(Senator Triplett's Amendment, labeled)

Amendment LC# or Description: "15.0991.01000"

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider Motion passed

Motion Made By Sen. Triplett Seconded By Sen. Laffen

voice vote unanimous

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Lonnie Laffen			Senator Connie Triplett		
Senator Brad Bekkedahl					
Senator Dave Oehlke					
Senator Jessica Unruh					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2.10.15

Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2340

Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0991.01001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider Motion passed

Motion Made By Sen. Bekkedahl Seconded By Sen. Oehlke

Voice Vote unanimous

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Lonnie Laffen			Senator Connie Triplett		
Senator Brad Bekkedahl					
Senator Dave Oehlke					
Senator Jessica Unruh					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2.10.15

Roll Call Vote #: 3

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2340

Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15-0991.01002

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Refer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Sen. Unruh Seconded By Sen. Bekkedahl

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chairman Lonnie Laffen	✓		Senator Connie Triplett	✓	
Senator Brad Bekkedahl	✓				
Senator Dave Oehlke	✓				
Senator Jessica Unruh	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Bekkedahl

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

REPORT OF STANDING COMMITTEE

SB 2340: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2340 was placed on the Sixth order on the calendar.

Page 1, line 1, after "Act" insert "to create and enact a new subdivision to subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly, relating to regular evaluation of economic development tax incentives created by the sixty-fourth legislative assembly;"

Page 1, after line 4, insert:

"SECTION 1. A new subdivision to subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly, is created and enacted as follows:

Any economic development tax incentive created by the sixty-fourth legislative assembly."

Page 1, line 13, overstrike "costs"

Page 1, line 14, overstrike "incurred in the taxable year to purchase" and insert immediately thereafter "cost of the"

Page 1, line 14, overstrike " for"

Page 1, line 15, overstrike "the purpose of automating manufacturing processes" and insert immediately thereafter "purchased in the taxable year"

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Page 2, line 12, replace "any" with "a"

Page 3, line 12, overstrike "taxable years beginning after" and insert immediately thereafter "purchases made after"

Re-number accordingly

2015 SENATE APPROPRIATIONS

SB 2340

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2340
2/16/2015
Job # 23914

- Subcommittee
 Conference Committee

Committee Clerk Signature

Kenos for Alice Debyer

Explanation or reason for introduction of bill/resolution:

A BILL for an ACT relating to an income tax credit for purchases of manufacturing machinery and equipment.

Minutes:

See testimony # 1- 4

Chairman Holmberg: Called the committee to order on Monday, February 16, 2015, at 11:30 am in regards to SB 2340. All committee members were present.

Senator Bekkedahl: Introduced the bill and testified in favor of SB 2340. It is a bill that had a couple of changes to it. This is an income tax credit for purchases of manufacturing machinery equipment for the purposes of automating manufacturing processes. This currently exists in legislation to date. It has a couple of changes to it, 1) the purchaser would also work under a capital lease purchase, which is added language to this; 2) it currently has a \$2M cap per year in its utilization. The cap was used in 2013 and 2014. The fiscal note indicates that there are ongoing expenditures are part of the baseline budget for 2015. The fiscal note is \$2 million for the final year of the biennium, 2015-2017. The other change is it would make this a permanent tax credit. It had a sunset clause on it, so that's the other major change. The bill primary sponsor is here.

Ch. Holmberg: Thank you.

Senator Tom Campbell: Sponsor, testified in favor of SB 22340 and provided written testimony (Attached # 1). The fiscal note in section 2b is self-explanatory. It is \$2 million per year and if it exceeds that, which it looks like it will, it will be on a pro-rata base.

Senator Wanzek: I know someone who is putting robots in to milk cows, would that qualify under this automated tax credit, would it.

Sen. Campbell: I'm not sure. I'm not an expert on dairy.

Senator Heckaman: You are talking about large manufacturers that want this, what about are small manufacturers across the state. Do the large ones take up all the incentives and

nothing left for the small companies, or are they pro-rated or how is this passed out through our small manufacturers.

Sen. Campbell: I believe it was a first come, first serve. Now it's pro-rata if it exceeds the \$2 million, so large and small companies are eligible. We are short of 22,000-30,000 workers in the state. This would be one of the few unique ways to solve the worker shortage with technology and robotics.

Dana Bohn, Executive Director of Economic Development Association of ND: Testified in favor of SB 2340 and provided testimony (Attached # 2). A list of several testimonies was submitted in support of SB 2340.

Jon Godfread, VP of Government Affairs at the Greater ND Chamber: Testified in favor of SB 2340 (see attached #3). With the workforce shortage we have in our state, this helps some of our manufacturers get through some of those issues and to address Sen. Heckaman's question about a large manufacturer taking up all the tax credit. With the changes in this bill, that prevents that. We think that change is a good change and that opens it to everybody.

Sen. Bowman: We talk about the shortage of workers, but we're replacing the worker with a robot. They don't pay taxes and they don't buy goods. Is that the purpose of this to get rid of the workforce? I know how they are important to certain businesses. But you're giving an incentive to get rid of workers so that you can modernize the facility that doesn't have workers.

Jon Godfread: I don't think the goal is to get rid of the workforce, it's to leverage that human capital and to be able to make some of these highly technological products, things that human hands simply can't do. It's also to expand, let's say at John Deere, that expansion is good for ND as a whole. Since it is hard to find workers this helps out; we're looking for solutions in every avenue, all the way down to the pre-K level of how we fill this talent pipeline that we need to have. This is one piece of that.

Sen. Krebsbach: I find it interesting reading through the letters of support that Dana Bohn handed out and I see where it goes beyond equipment manufacturing. I see Baker Boy has utilized this program, which I find very interesting. It is quite an expanse as to how people can put this program to work.

Jon Godfread: The Baker Boy facility is amazing.

DeAnn Berg, Business Support Director of Impact Dakota: Testified in favor of SB 2340 (see attached #4) relating to the Automation Tax Credit Extension. She asked for the support of the appropriation committee.

Chairman Holmberg: We will close the hearing on SB 2340.

Senator Robinson: I move a Do Pass on SB 2340.

Sen. Sorvaag: Second the motion.

Chairman Holmberg: Call the roll on a Do Pass on SB 2340.

A Roll Call vote was taken. **Yea: 13; Nay: 0; Absent: 0.**

Do Pass motion carried.

Carrier: Senator Bekkadahl

Date: 2-16-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2340

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Robinson Seconded By Sorvaag

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Bekkedahl

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

REPORT OF STANDING COMMITTEE

SB 2340, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed SB 2340 was placed on the Eleventh order on the calendar.

2015 HOUSE FINANCE AND TAXATION

SB 2340

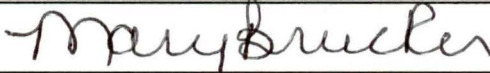
2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2340
3/17/2015
24987

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A bill relating to regular evaluation of economic development tax incentives created by the sixty fourth legislative assembly; relating to an income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes.

Minutes:

Attachment #1, 2, 3, 4, 5, 6

Chairman Headland: Opened hearing.

Senator Campbell: Introduced bill. Distributed testimony. See attachment #1.

Representative Froseth: Your testimony says that the tax credit program is limited to \$2 million of aggregate tax credit for taxable year but the fiscal note shows \$2 million for the 2015-17 biennium.

Senator Campbell: It should be for biennium. This goes through 2015; it sunsets in 2015.

Chairman Headland: We'll testimony in support.

Connie Ova, Economic Development Association of North Dakota: Distributed testimony. See attachment #2. Ended testimony at 8:48

Chairman Headland: It appears that the program has been utilized because according to the fiscal note the \$2 million has been used up for the first two years of its existence.

Connie Ova: Yes.

Mark Vaux, Greater Fargo Moorhead Economic Development Corporation: This is one of the best programs I've seen across the country. Efficiencies, speed to market and how our competitive landscape has changed in the manufacturing industry are key elements. It used to be our competitive advantage was low input costs, specifically low labor costs, but that's not the case anymore. We've had to raise our wages on the labor side to compete with the companies across the country to land the contracts they were bidding for. Small companies can use as well.

Chairman Headland: The timing of the sunset doesn't leave the committee in the best position for this bill. I understand the importance of it. It's almost as if you're suggesting the efficiencies for economic purposes the investments should be made with or without the tax credit.

Mark Vaux: Others can probably speak to that later. Our larger companies need to compete globally. Some of them have multiple locations around the world. They had the option to invest in North Dakota and keep that revenue coming here or they could put it in one of the other states in the United States or another oil facility in the country. They look at the competitive and global landscape and they are going to do it where it makes the most sense. That is the most important part of these programs. This is more of an incentive to continue bringing work here rather than a reward for something that may happen anyway.

Bryan Bossert, John Deere Electronic Solutions: Distributed testimony. See attachment #3. Ended testimony at 20:33

Peter Rackov, Steffes Corporation: Distributed testimony. See attachment #4. Ended testimony at 24:58

Chairman Headland: You make a good point that ultimately the price of oil is going to determine a lot of things in this state.

Jon Godfread, Greater North Dakota Chamber: Distributed testimony. See attachment #5.

Representative Haak: Where do the bills 2292, 2349, and 1223 fit into your list of priorities?

Jon Godfread: It's high up on our priorities. It's a \$2 million investment so it's a relatively small amount of money. This fits into a little bit different category. This would definitely be one of our higher priority bills. The package you listed is really our tax relief package we're looking at. I would hope to separate this one out a little bit given the size of the investment. This would hopefully be a little more palpable to the committee.

Chairman Headland: Is there further support? Is there any opposition?

Representative Froseth: Can we get a clarification of the fiscal note?

Matt Peyerl, Office of Tax Commissioner: The reason there is only \$2 million in this biennium is that the current law extends through 2015 and that is already included in the baseline budget, therefore, that is only year two of the 2015-17 biennium that is reflected by the \$2 million. If you were to fill in the 2017-19 column I would expect there would be \$4 million in that one if somebody would have extended the computation further assuming the program is continued to be utilized as it has been thus far.

Representative Haak: How long has this program been around?

Matt Peyerl: The program was passed by the 2011 legislative body as part of a Department of Commerce budget bill. It had a delayed implementation starting in 2013 so 2013, 2014, and 2015 are the original parameters of the effectiveness of it. The end of 2015 is the scheduled sunset based on that original passage.

Chairman Headland: We'll close the hearing on SB 2340.

Additional written testimonies was submitted in support of this bill by various companies but were not at the hearing. See attachment #6.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2340
3/24/2015
25358

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A bill relating to regular evaluation of economic development tax incentives created by the sixty fourth legislative assembly; relating to an income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes.

Minutes:

No attachments

Chairman Headland: This is one of those bills with a tough sunset timing.

Representative Kading: At this point in time I don't think we have the money to do this bill. **Made a motion for a do not pass.**

Representative Trottier: Seconded.

Representative Steiner: I would be disappointed to see this come out as a do not pass at a time when we can see that commodities which are 68% of our state and when they take a dip we need to be diversified. This bill addresses that weakness we have in our state where we need more manufacturing. Rather than contracting in fear we should be moving ahead with courage in manufacturing instead of running with our tails between our legs.

Representative Trottier: It was asked during the hearing if this will get done without the tax incentive and I think it will.

Representative Steiner: In Casselton there was a very small business that brought in 40 people so it isn't so much about the large manufacturing groups as much as it is the smaller home grown groups. He said the smaller one in Casselton would not have been done without this. I think we need to take that \$2 million on to make sure we diversify our economy and get away from being so reliant on oil and agriculture. I think this helps manufacturing statewide; I'm not just speaking of my own district. I feel strongly that manufacturing in Fargo and Grand Forks is key to those industries so I'm going to fight for this bill as best as I can. I'm not going to support a do not pass.

Representative Mitskog: I come from a heavy manufacturing area and there is so much difficulty in finding workers. Locally businesses have utilized programs through the Bank of

North Dakota and they are moving in the direction of automation but it's a big capital investment. They are forced to do it because they can't find workers. I think this is also an attempt to help with the worker shortage to support automation.

Chairman Headland: If you're a company and can't find workers... (Inaudible as microphone wasn't on)

Roll call vote: 10 yes 4 no 0 absent

Motion carried for a do not pass.

Representative Kading will carry this bill.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2340
3/25/2015
25409

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Bruecker

Explanation or reason for introduction of bill/resolution:

A bill relating to regular evaluation of economic development tax incentives created by the sixty fourth legislative assembly; relating to an income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes.

Minutes:

No attachments

Vice Chairman Owens: The committee expressed an interest in something. **Made a motion to reconsider our actions of a do not pass.**

Representative Steiner: Seconded.

Voice vote: Motion carried.

Representative Steiner: I appreciate you taking a second look at this. I think this is pretty important to our small manufactures across the states; it's not just in one area. This manufacturing credit sunsets and this would allow that to continue again. We heard from Steffes in my district and they had to go to Minnesota to get some of their work done. They would like to see their work get done in North Dakota. We have a workforce shortage and if they can do some more with automation that will help maintain the manufacturing base we have. We need more diversity; we cannot just be a commodity based state in oil and agriculture. There are 500 engineers graduating out of NDSU and they are being courted by John Deere. When we spend all that money on training engineers out of NDSU and they are going into manufacturing we should also make sure we're consistent of our support of the manufacturing base we have in our state.

Representative Mitskog: I had the opportunity to visit 23 of our primary sector businesses in the manufacturing community in Wahpeton and the number one concern was labor. They are doing automation to address the shortage of labor. We need to support our manufacturers.

Chairman Headland: We should have some type of motion before we debate the merits.

Representative Hatlestad: Made a motion for a do pass.

Representative Mitskog: Seconded.

Chairman Headland: We are now open for discussion.

Representative Froseth: The current law extends through 2015 so the fiscal note is only for the year of 2016. Maybe we should look at putting on a sunset of December 31, 2016 so it has to be revisited next legislative session.

Representative Hatlestad: If we're going to sunset it then I recommend at least four years because robotics takes some time to implement.

Representative Haak: Couldn't the legislature come back next session and sunset it then?

Chairman Headland: That's true that it would take legislation.

Representative Froseth: As it stands now the law became effective December 31, 2014 so someone would have to make an effort to bring it back and reconsider it two years from now.

Representative Kading: I support entrepreneurs. Entrepreneurs build the economy and do very well. I feel this bill selectively picks winners and losers. There are a lot of other entrepreneurs out there. We've killed bills that give credit and we've not considered other industries that could use credits so I think we're picking winners and losers. I think businesses build business because it's a good plan, it's a good performer, and the numbers work. They don't build a business based purely on government subsidy. I'm going to vote against this bill.

Chairman Headland: I feel the same way I did with the do not pass. There was a sunset put on the original legislation for a reason and here we are debating whether it should be extended. I think they'll do it anyway and we shouldn't be picking winners and losers. I'm going to resist the do pass motion.

Vice Chairman Owens: How do they make a decision to make the investment based on using this tax credit if they don't know how much tax credit they are going get?

Chairman Headland: The motion has to be a do pass and re-refer to appropriations. I just wanted to make sure that was on record.

Representative Steiner: We have a list of the manufacturers who brought this forward and they are satisfied with the design of it. They have obviously looked at it and feel they can work with it.

Chairman Headland: There's one thing about incentives for new business and incentives for existing business. Representative Kading hit the nail on the head; when you provide a benefit to an existing business what are you actually doing besides giving them a benefit?

Representative Mitskog: There are 20,000-22,000 needed workers in the state so how do we retain those manufacturers? Manufacturers have had to reduce their production because they don't have enough bodies to produce and build their product. What are we going to do to address the shortfall?

Chairman Headland: So they wouldn't do that without the help from the state?

Representative Mitskog: The automation costs are so significant that some of these companies need to leverage the state resources.

Representative Kading: There is a difference between existing and new business. We are picking winners and losers and I'm not going to be voting for that bill either.

Representative Schneider: I appreciate that we try not to pick winners and losers but we do that in here quite often. We have extended sunset provisions to other areas even though we don't like doing it. I think this was a very interesting and high powered list of folks who are supporting this. It is an opportune time when we may have both agriculture and petroleum issues at once to emphasize diversification of our economy by supporting manufacturing. Even though I don't like the potential loss of future jobs, the fact that they are bringing in at least a higher level, a higher paying, and higher skill levels of jobs to advance their automation is an attractive proposal as well.

**Roll call vote for a do pass and re-refer to appropriations: 7 yes 7 no 0 absent
No recommendation.**

Chairman Headland: We should really try to get this headed in one direction or another. We sent one other bill to the floor without committee recommendation but I don't think that's really what we should be doing here.

Representative Mitskog: I would ask that we postpone discussion of this until tomorrow.

Chairman Headland: We have to get it out today.

Representative Klein: Made a motion for a do not pass.

Chairman Headland: Let's wait for the correct procedure here. I'm wondering if we have to reconsider.

Representative Klein: A tie vote means the motion fails.

Representative Dockter: I will switch my vote so we can break the tie and let appropriations deal with it.

Chairman Headland: We have a motion from Representative Klein for a do not pass. Is there a second? **There was no second so the motion fails for a lack of a second.**

Representative Dockter: Made a motion for a do pass and re-refer to appropriations.

House Finance and Taxation Committee
SB 2340
March 25, 2015
Page 4

Representative Steiner: Seconded.

Roll call vote: 8 yes 6 no 0 absent

Motion carries for a do pass and re-refer to appropriations.

Representative Steiner will carry this bill.

Date: 3-24-15
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2340**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. Kading Seconded By Rep. Trottier

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	✓	
REP DOCKTER	✓		REP MITSKOG		✓
REP TOMAN	✓		REP SCHNEIDER		✓
REP FROSETH	✓				
REP STEINER		✓			
REP HATLESTAD		✓			
REP KLEIN	✓				
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Kading

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

Date: 3-25-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2340

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Rep. Owens Seconded By Rep. Steiner

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice vote = Motion carried.

Date: 3-25-15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2340

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Rep. Hatlestad Seconded By Rep. Mitskog

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND		✓	REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	✓	
REP DOCKTER		✓	REP MITSKOG	✓	
REP TOMAN		✓	REP SCHNEIDER	✓	
REP FROSETH		✓			
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN		✓			
REP KADING		✓			
REP TROTTIER		✓			

Total (Yes) 7 No 7

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
No recommendation - revoted

Date: 3-25-15
 Roll Call Vote #: 3

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2340**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. Dockter Seconded By Rep. Steiner

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓	✓	REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	✓	
REP DOCKTER	✓		REP MITSKOG	✓	
REP TOMAN		✓	REP SCHNEIDER	✓	
REP FROSETH		✓			
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN		✓			
REP KADING		✓			
REP TROTTIER		✓			

Total (Yes) 8 No 6

Absent 0

Floor Assignment Rep. Steiner

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

REPORT OF STANDING COMMITTEE

SB 2340, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2340 was rereferred to the **Appropriations Committee**.

2015 HOUSE APPROPRIATIONS

SB 2340

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2340
4/2/2015
25783

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

relating to regular evaluation of economic development tax incentives created by the sixty-fourth legislative assembly; to amend and reenact section 57-38-01.33 of the North Dakota Century Code, relating to an income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes; and to provide an effective date..

Minutes:

Handout #1

Chairman Jeff Delzer: (Handout #1) Opened the hearing. There is testimony to read when you get you chance. Copies have been left at everybody's desk.

Representative Headland: SB 2340 is a bill that will extend the income tax credit for the purchase of manufacturing machinery, equipment use for automation and manufacturing processes. In 2013 we put this incentive out there with a sunset and essentially this bill is just asking to make the 2 million dollar credit available into the future. The one change that does occur that was not in the previous legislation is, at their request, the 2 million dollars got used every year that it has been applicable. When they have more requests than that the new language would just give the tax commissioner the ability to pro rate the credit amongst all of the requests.

Chairman Jeff Delzer: It was first come first served up to now and this bill would make it so that it wouldn't be distributed to when right at the end of the biennium?

Representative Headland: We didn't ask that particular question to the tax commissioner but it would almost have to be held until the end because how else would they do it.

Chairman Jeff Delzer: Did you have any discussions about this in essence removes the sunset? Removing it totally is a long time. Did you have much discussion about sun setting it in another two or four years?

Representative Headland: That did not come up in the committee because I think essentially the debate was about the current sunset and the reason the bill was in front of us. I certainly think a sunset would be appropriate.

Representative Dosch: I don't quite understand why we keep doing this. Yesterday we passed a sales tax credit for a fertilizer plant and now we are doing another one for manufacturing. If a sales tax exemption is good and good for the economy and good to get jobs going then why don't we do it for every business in North Dakota who wants to grow or expand their business. We sit here and we keep picking and choosing who we give these credits too and the average small mom and pop that want to grow and expand their business they don't qualify, because they aren't the big boys on the block. I just can't support this. If this is good then lets open it up and give everyone the same opportunity and if we are unwilling to do that then we should stop picking and choosing winners and loser. The big out of state companies are the ones we are giving these tax breaks to and for me it should be all or nothing.

Representative Hogan: Was the purpose of this tax economic development and do we have any measurements on was it successful on bring new business or was there an evaluation of it?

Representative Headland: Yes it is for the purpose of economic development. I have a hard time standing here when I voted against the bill trying to defend it and I know that is a problem. I don't know how to respond to these questions.

Chairman Jeff Delzer: You stated that this was done for what is considered economic development but it does go mostly to establish business that are expanding is that correct?

Representative Headland: That is correct and that is my rational for not supporting it. I think actually the business that are taking advantage of this will do it anything.

Representative Silbernagel: In the 80's when we were depopulating and economic development was pretty slow and we were trying to recruit companies to our state to provide jobs and economic growth this was one of the tools they needed in the bucket to compete with surrounding states and other places as we were trying to grow our economy and now we have a little different situation. We have some economic growth I get that. But as the price of oil diminishes and we may have to go back to recruiting other companies we may need this tool so I am going to support it.

Representative Headland: This is a new program that we created last biennium, only in affect for two years.

Chairman Jeff Delzer: Did you ask the tax commissioner how many requests they had? You said the whole two million was used but how many requests were denied?

Representative Guggisberg: It looks like this also expands to leased equipment, if this wants enough money to cover the need for it in the past would expanding this make it spread out even further yet or why did we include leased equipment in here this time?

Representative Headland: That was the Senate's wisdom in how they wrote the bill. I didn't address that because I didn't support the concept.

Representative Nelson: Did you have any discussions in your committee about the performance of this tax incentive? I am sure the supporters of the measure came to your

committee and talked about job growth, the more diversified economy that is a result of the manufacturing sectors growth or expand on what the reason was, even though it was only two years of history what is that history?

Representative Headland: There were several companies that took advantage of the credit. There were requests that were broader than the 2 million dollars were able to deliver to so they re-wrote it. They re-wrote it so the tax commissioner has the ability to prorate and they asked for us to renew the program essentially because of the sunset that was placed on the original bill two years ago. There were many committee members who were passionate about keeping this income tax credit available to business and there were a few of us that thought it was more of a give-away to businesses that were already probably going automate.

Representative Nelson: There wasn't a company that came into the state that you can identify that may have made a decision based on this or there wasn't job growth, you didn't ask that question to any of the supporters that appeared before you?

Representative Headland: The testimony that was provided by different groups that took advantage of it all had their reasons why they wanted to keep it on the books. I don't know that one of them actually said we are in business today because of this tax credit.

Representative Nelson: Was there any expansion that was noted because of policy changes like this, not specifically this but I think you have always been one who as talked about a comprehensive tax plan that puts us in a better position. How does that affect the manufacturing sectors growth in our overall economy?

Representative Headland: Maybe I was misunderstanding your question I think I can answer, in a different piece of legislation but I think it is also written in section 1 of this bill. There is going to be opportunity for interim committee that is going to take a look at all of these exemptions, credits and everything that we have on the books as far as trying to incentives economic development. To date that hasn't happened.

Chairman Jeff Delzer: That's in a different bill. I would hope that that study would also look at this is automation so it might be a lessening of jobs. It might be more GDP where there might be fewer jobs, that is something that needs to be looked at.

Representative Skarphol: Are the eligible companies only those newly installing automated manufacturing or can a company that already has automated manufacturing add to their automation?

Representative Headland: They can add to their automation.

Representative Boehning: I am reading through this and it is a 2 million dollar fiscal note but then when you go and read on page 2 line 22 "the aggregate amount of credits out of this section are not to exceed 2 million dollars in a calendar year". Is that two million every year?

Representative Headland: Correct, so really its 4 million over the biennium.

House Appropriations Committee

SB 2340

4/2/2015

Page 4

Chairman Jeff Delzer: If you read the fiscal note it sounds like the 2 million is probably going to be done the first year and the second year it would be not affected. I don't know for sure if that is true or not and maybe I am reading it wrong.


Meeting adjourned.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2340
4/7/2015
25899

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to regular evaluation of economic development tax incentives created by the sixty-fourth legislative assembly; to amend and reenact section 57-38-01.33 of the North Dakota Century Code, relating to an income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes; and to provide an effective date.

Minutes:



Chairman Jeff Delzer: SB 2340 is a bill that finance and tax struggled with. It does extend and automation tax reduction. I think the way the bill is before us it is 2 million dollars per year. It is set up so that just goes until it is used up and then there is no more for the rest of the year. There is no sunset on it. The bill basically took and removed the sunset.

Representative Boehning: Handed out amendment 15.0991.02001. Basically what this amendment will do is cap the amount from the 2 million to 500,000 per year with a 10,000 dollar cap on any ward as a tax credit and if the tax credit is not used up in the first year of the biennium and there is a 100,000 dollars left over that can be carried over to the second year of the biennium so that the remaining would be available during that second year. Chairman Delzer talked about the sunset, that is not in here but we can put it in. I would move amendment .02001.

Chairman Jeff Delzer: Do you want to add a sunset?

Representative Boehning: Yes.

Chairman Jeff Delzer: What is the date?

Representative Boehning: We would have to do 2017.

Chairman Jeff Delzer: We have a motion do we have a second?

Representative Skarphol: Second.

Representative Streyle: Is there 50 businesses out there per year that are going to use this? 10,000 dollar cap is not very much and 50 business I can't imagine there is even 25 is there?

Representative Boehning: I think the bill in its original form would allow one or two to gobble up the whole amount and I think we want the other business in the state to do some of this stuff and if we don't use it up we don't use it and we can look at it next biennium.

Chairman Jeff Delzer: I do think the amendment makes the bill better. I agree with Representative Streyle and I don't know that this is necessarily an economic development tool for jobs for the state.

Representative Silbernagel: I think the amendment as proposed is a good amendment and that it targets it for smaller companies. There are many small companies out there that can take advantage of this that are four man shops, 6 man shops. The notion that just the big companies take advantages of this kind of program isn't necessarily accurate. There are many small manufacturing companies that this would benefit and I am going to support it.

Representative Skarphol: I just echo what Representative Silbernagel said.

Representative Guggisberg: I was wondering, the tax incentive evaluation that we are going to do, how often does that need to be done?

Brady Larson: The bill you are referencing is 2057 that did pass and it does require that during each interim that there is a legislative management committee that studies this.

Representative Guggisberg: The sunset is ok but hopefully if this program works right we will know if we are actually getting our money back in the state and also we will know that it is time to stop doing some of these programs too.

Representative Monson: I was questioning the need for a sunset. As I understood when the moneys gone the money is gone.

Chairman Delzer: It's whatever number you have in there per year so if you don't have a sunset it carries forward.

Representative Glassheim: I am concerned by this pro-rating by the tax commissioner. It seems to me that requires that you wait a year before distributing any money.

Chairman Jeff Delzer: That's the way the bill is originally worded I am not sure what happens with the amendment. I think this just limits it to that I think it might still be at the end of the year but you would be limited to the 10,000 dollars but they would wait until the end of the year, make sure that it fit within the number and if it didn't fit within the number it would be a lesser amount for everybody pro-rated.

Representative Skarphol: It is a tax credit so I don't think there is any disadvantage to wait until the end of the year when you file your taxes to find out whether or not you have the credit and what your credit is. So you are not at a disadvantage to waiting.

Representative Boehning: I think if there would be 60 that would qualify for this they wouldn't all get the 10,000 dollars it would be a lesser amount. It would be capped at 10,000 dollars and a pro-rate would be able to allow all of them to get that money.

Chairman Jeff Delzer: It was first come first serve.

Representative Glassheim: If your maximum is 10,000 dollars you could do first come first serve without inconveniencing anybody.

Chairman Jeff Delzer: But if you ended up with over 50 doing it then you would have the same situation.

Motion to Adopt Amendment .02001 and add a sunset clause through calendar year 2017.

Motion made by Representative Boehning.

Seconded by Representative Skarphol.

Voice vote.

Motion carries.

Representative Boehning: Is the sunset in 2017 going to be the correct year?

Representative Kempenich: Why don't we just word it the way the bill is currently and two years after 2015 it is going to sunset?

Representative Boehning: I move a Do Pass As Amended.

Representative Brandenburg: Second

Motion for a Do Pass As Amended

Motion made by Representative Boehning.

Seconded by Representative Brandenburg.

Total yes 16. No 5. Absent 2.

Motion carries.

Floor assignment Representative Boehning.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2340

Page 1, line 4, after "57-38-01.33" insert "and subdivision r of subsection 7 of section 57-38-30.3"

Page 2, line 16, after the period insert "The maximum credit that may be claimed by a taxpayer under this section for a taxable year is ten thousand dollars."

Page 2, line 22, overstrike "two"

Page 2, line 23, overstrike "million" and insert immediately thereafter "five hundred thousand"

Page 2, line 24, after "purchase" insert "However, if the maximum amount of allowed credits are not claimed in any calendar year, any remaining unclaimed credits may be carried forward and made available in the next succeeding calendar year."

Page 2, line 25, replace "two million dollars" with "the amount available"

Page 2, line 26, remove "allowable amount of"

Page 3, line 3, after the period insert "The maximum credit that may be claimed by the entity under this subsection for a taxable year is ten thousand dollars."

Page 3, after line 24, insert:

"SECTION 3. AMENDMENT. Subdivision r of subsection 7 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

- r. Automating manufacturing processes tax credit under section 57-38-01.33 (~~effective for the first three taxable years beginning after December 31, 2012~~).

Re-number accordingly

SL
4/8/15

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2340

- Page 1, line 4, after "57-38-01.33" insert "and subdivision r of subsection 7 of section 57-38-30.3"
- Page 1, line 6, remove "and"
- Page 1, line 6, after "date" insert "; and to provide an expiration date"
- Page 1, line 14, remove the overstrike over "~~(Effective for the first three taxable years beginning after December 31,~~"
- Page 1, line 15, after "~~2012~~" insert "2014"
- Page 1, line 15, remove the overstrike over the closing parentheses
- Page 2, line 16, after the period insert "The maximum credit that may be claimed by a taxpayer under this section for a taxable year is ten thousand dollars."
- Page 2, line 22, overstrike "two"
- Page 2, line 23, overstrike "million" and insert immediately thereafter "five hundred thousand"
- Page 2, line 24, after "purchase" insert "However, if the maximum amount of allowed credits are not claimed in any calendar year, any remaining unclaimed credits may be carried forward and made available in the next succeeding calendar year."
- Page 2, line 25, replace "two million dollars" with "the amount available"
- Page 2, line 26, remove "allowable amount of"
- Page 3, line 3, after the period insert "The maximum credit that may be claimed by the entity under this subsection for a taxable year is ten thousand dollars."
- Page 3, after line 24, insert:

"SECTION 3. AMENDMENT. Subdivision r of subsection 7 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

- r. Automating manufacturing processes tax credit under section 57-38-01.33 (effective for the first ~~three~~five taxable years beginning after December 31, 2012)."

Renumber accordingly

Date: 4/7/15
 Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES

BILL/RESOLUTION NO. 2340

House: Appropriations Committee

Subcommittee

Amendment LC# or Description: 15.0991,02001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By: Boehning Seconded By: Skarphol

Representatives	Yes	No	Absent
Chairman Jeff Delzer			
Vice Chairman Keith Kempenich			
Representative Bellew			
Representative Brandenburg			
Representative Boehning			
Representative Dosch			
Representative Kreidt			
Representative Martinson			
Representative Monson			
Representative Nelson			
Representative Pollert			
Representative Sanford			
Representative Schmidt			
Representative Silbernagel			
Representative Skarphol			
Representative Streyle			
Representative Thoreson			
Representative Vigesaa			
Representative Boe			
Representative Glassheim			
Representative Guggisberg			
Representative Hogan			
Representative Holman			
TOTALS			

Voice
 Vote
 Motion
 Carries

Floor Assignment: _____

If the vote is on an amendment, briefly indicate intent: 15.0991,02001

→ with adding "thru calendar year 2017"
 a sunset clause

Date: 4/7/15
 Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES

BILL/RESOLUTION NO. 2340

House: Appropriations Committee

Subcommittee

Amendment LC# or Description: 15.0991.02002

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By: Boehning Seconded By: Brandenburg

Representatives	Yes	No	Absent
Chairman Jeff Delzer		✓	
Vice Chairman Keith Kempenich	✓		
Representative Bellew			AB
Representative Brandenburg	✓		
Representative Boehning	✓		
Representative Dosch		✓	
Representative Kreidt		✓	
Representative Martinson	✓		
Representative Monson	✓		
Representative Nelson	✓		
Representative Pollert		✓	
Representative Sanford	✓		
Representative Schmidt	✓		
Representative Silbernagel	✓		
Representative Skarphol	✓		
Representative Streyle		✓	
Representative Thoreson	✓		
Representative Vigesaa	✓		
Representative Boe			AB
Representative Glassheim	✓		
Representative Guggisberg	✓		
Representative Hogan	✓		
Representative Holman	✓		
TOTALS	16	5	2

Floor Assignment: Boehning

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

*with adding "then Calendar year 2017"
 sunset clause*

REPORT OF STANDING COMMITTEE

SB 2340, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 5 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2340 was placed on the Sixth order on the calendar.

Page 1, line 4, after "57-38-01.33" insert "and subdivision r of subsection 7 of section 57-38-30.3"

Page 2, line 16, after the period insert "The maximum credit that may be claimed by a taxpayer under this section for a taxable year is ten thousand dollars."

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- r. Automating manufacturing processes tax credit under section 57-38-01.33 (effective for the first three taxable years beginning after December 31, 2012)."

Renumber accordingly

*Wrong amendment
use 15.0991.02000
Brought back*

REPORT OF STANDING COMMITTEE

SB 2340, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 5 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2340 was placed on the Sixth order on the calendar.

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- r. Automating manufacturing processes tax credit under section 57-38-01.33 (effective for the first ~~three~~five taxable years beginning after December 31, 2012)."

Re-number accordingly

2015 CONFERENCE COMMITTEE

SB 2340

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
4/14/2015
Job #26078

Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Conference Committee

Minutes:

Chairman Laffen opened the conference committee on 2340. Senators Laffen, Bekkedahl and Dotzenrod; Representatives Boehning, Toman and Strinden all present.

Sen. Laffen -- I'm trying to define what this bill was about, again, and it is a complicated bill. It's a current law that we already have. It's an automation tax credit. It is basically a 20% corporate income tax credit and it has a \$2M cap for each calendar year. If we hit that cap, per calendar year, then it's prorated amongst those who use it. I believe that it has a sunset and that is probably why it is here in the first place. The Senate version removed the sunset.

Rep. Strinden -- We did not add the sunset back in.

Sen. Laffen -- Here's what I understand of the original version that we had did: it expanded the eligible purchase to include an acquisition by means of lease purchase. Originally, you had to pay cash. If the \$2M credit is reached, the bill required that the \$2M in credits are to be prorated. And it made the changes effective for the tax years 2015 and after, so repealing the sunset. Now, you guys fill me in on what your amendments did to the bill.

Rep. Strinden -- I forgot that appropriations got it after we did and Rep, Boehning could speak better to that than we could. We did move the sunset out from 3 years to 5 years and I think the main things that we did were to limit the amount of credits, we brought the aggregate amount of credit down to \$500,000 rather than \$2M.

Rep. Toman -- We also, under subsection 3, the maximum credit for taxable years, \$10,000, that was the finance and tax and I believe that is the same in the appropriations.

Sen. Laffen -- That is \$10,000 per person.

Rep. Toman -- Per business, yes. The aggregated amount of the credits from \$2M to \$500,000 in a calendar year is what appropriations put on there.

Sen. Laffen -- I'm very confused about the sunsets that you have on it and I think the tax department has some confusion there to. If I could, Matt, could you fill us in on what you think the sunset language says and what the potential issues are there?

Matt Peyerl , Office of State Tax Commissioner -- Section 2 in the title language it says effective for the first 3 taxable years after 2014 and we think that is the overarching intent is that it would exist for 15,16 & 17; however, that language there I believe doesn't have legal effect of guiding the effective date but gives us some guidance as far as intent. On page 3, there is a couple effective date items there. On line 2, under subdivision, that's the individual income tax credit. That's the credit that's allowed on an individual income tax return and that says that's allowable for 5 years after 12, so that would be 13,14,15,16 & 17 so that works for the individual income tax credit but there is no similar sunset on the corporate income tax credit because that is not included in that statutory reference there. So that's one fix or something that maybe wasn't intended is that they would sunset together, the corporate and the individual income tax credit would be just one credit. The next item would be in section 4 where the effective date for the act, currently says purchases made after 2014 so this bill reaches back and applies to 2015 and the current law already covered 15 with \$2M so is that the intent that it would reduce down what was previously in law as \$2M and reduce it down to \$500,000 and then, if not, do you want a different effective date on the lease issue and the cap proration issue? Those two issues, I don't think there was a lot of disagreement so I thought the intent was that those would go in as soon as possible which that effective date would work for but then there is some conflict between what do you want with the \$500,000 -vs- the \$2M for 2015 and I'm not sure what the people who write fiscal notes would do if 2015 was reduced down to \$500,000, if they would say that has a positive fiscal impact of \$1.5M because maybe they have already written in that the \$2M is already considered out the door. What you do with 15 as far as that is uncertain to me.

Sen. Laffen -- I'm not sure that we will be able to settle all of this in this one session. On our side, I think we are going to struggle with the reduction from \$2M to \$500,000 for two reasons: it pretty much guts the effectiveness of the program and as Matt says we are already halfway through a year that is already based on \$2M and making that retroactive would have a difficult impact for this year. I think, as some sort of compromise, I think we could probably live with a sunset. We were hoping to not have sunsets on this one anymore but we could live with a sunset if it made sense. The idea that this would sunset again at the end of the next legislative session, 2017, but we have to make it work financially in 2015. My recommendation would be to leave the cap at \$2M, as it was, but then put a sunset on because then we don't have that conflict. I could get amendments like that made and we could debate them at the next meeting. What are your thoughts?

Rep. Strinden -- I actually was thinking along the same lines so I would be in favor of taking a look at those amendments and having them written up.

Sen. Dotzenrod -- If we did that, if those amendments were proposed, does that settle the overlap question about having a \$500,000 number in one business year and then having

current law that has \$2M that extends into that year? Those amendments would actually solve that problem besides allowing more money to be available for the credit. Right now we have a conflict of trying to understand how that overlap would work.

Sen. Laffen -- I think that is exactly right. I think if we left the caps the way the original law is, it would solve all of those problems. What we are saying, in terms of the caps and the sunset is, leave the caps as they are in the current law but add another sunset to it. That solves that issue for 2015.

Rep. Toman -- In your amendment you are talking about leaving the credit cap or the \$2M cap or both?

Sen. Laffen -- I would prefer to leave the caps both the way they are. I have nervousness that \$10,000 is a pretty small amount and it is just going to negate the value of the overall credit.

Rep. Strinden -- I think the thought behind putting the \$10,000 cap was to help the smaller businesses in thinking that maybe they would need the tax incentives more than the larger ones. I do think the amendments, keeping it at \$2M, might be a problem when we add appropriations in. I don't know how they will react.

Matt Peyerl -- If that version is drafted, the effective date language could remain 12-31-14, basically retroactive to January 1, 2015 so then the lease purchase change and the cap proration changes would apply for 15, the way I would interpret your comments.

Sen. Laffen -- That is the way that I would prefer it that those changes would work for this calendar year.

Matt Peyerl -- If that's the bill that actually is adopted this concern goes away but if this current version is adopted there is one point that I wanted to clarify, the language that was added on the \$10,000 cap is that the maximum credit that may be claimed by an entity is \$10,000 and we read that to be earned by an entity. That it doesn't allow an entity to earn a million but they have to just claim \$10,000 a year. We had read the intent that that's the amount that can be earned per year. If you made enough purchases and you could have otherwise had \$100,000 of credit, you really are only earning \$10,000. The distinction between claimed and earned, we were applying the word earned there. If that cap goes away, that becomes a non concern.

Rep. Toman -- I believe that we lowered that to the \$10,000 because we lowered that cap. So it would be spread out over that \$500,000 rather than having that higher cap on individual claims.

Sen. Dotzenrod -- Some clarification questions: On the bottom of page 2 we talk about if there is any remaining unclaimed credits they can be carried forward and made available in the following calendar year. If the bill becomes ineffective, or if the expiration date hits and this credit is no longer available at some year in the future, it's my understanding that the carryforward credits are still available if they have not been used. If an entity has some

credits that they are carrying on their books but they could not use them because of our limits in here, you can still use those credits even though the feature of the law is gone?

Matt Peyerl -- If you've earned a credit and don't have enough tax to use it and you can carryover the credit to a subsequent year, that provision will withstand the fact that the program has gone away. The fact that you've earned them, in the alternative, though, if the amount of statewide credits hasn't been used and the sunset falls away after 2017 and there was some unused credits that could have, in theory, gone into 18, I believe that new language would not allow anybody to earn anything for 18 even though there were some unused credits from 17.

Sen. Laffen -- Matt, let's say there were unused credits in 16 and they rolled then to 17, if we had the \$10,000 cap it's still going to be a struggle to use those unless a lot more companies come in and start using this. That's how I would read that.

Matt Peyerl -- I don't think it would effect it. You would still have that \$10,000 limit and I think the testimony in the policy committees, the number of claimants in 13 was 12 and in 2014 was 9. If they capped them at \$10,000, you'd need 50 applicants to get to the \$500,000 limit. Including lease purchases, we will open it up and you will naturally get more applicants but if 50 is the number to get to that max, that's a significant increase over the past 2 years of the program.

Sen. Dotzenrod -- This is language that was in the original bill when it was introduced. On page 2, line 10 where we get into the capital lease; under a capital lease only for the taxable year in which the lease is executed. Do I understand that right, that's the full amount of the cost, not just that first annual lease payment? We are allowing the credit to be computed over the total cost:

Matt Peyerl -- That's correct. The last sentence on 12,13,& 14, says the qualifying costs are the fair market value of the equipment so you get it all upfront just as you would with a purchase if you financed it over 20 years. It doesn't matter how long you financed it for, it's the date of purchase and the cost of the equipment.

Sen. Dotzenrod -- This language in here when they say only for the taxable year in which the lease is executed. I'm not sure what that means? You are going to claim credits. If you don't use them you will be able to carryforward. It's only based on the capitalization of the cost of equipment that you bought.

Sen. Laffen -- It would be the same as financing. If you financed the whole purchase you would take the credit in the one year that you applied.

Matt Peyerl -- That's correct. Sen. Dotzenrod, an illustration: if you are going to purchase a \$1M piece of equipment so instead of purchasing you are going to lease it. You sign a lease agreement in 2015, you are going to lease it over 10 years and your payments are going to add up to \$1.1M because there is interest on there. What that last sentence says is that you get credit for \$1M. You don't get to count the value of the interest part of the payments but you get the full amount of the credit, 20% x \$1M all in 2015, because that's

the year the least was executed. It doesn't matter if you paid it in 10 installments over the next 10 years.

Sen. Laffen -- It's saying that you don't have to do this 10 times over the course of that lease.

Sen. Laffen adjourned the meeting.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
4/15/2015
Job #26113

Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Conference Committee

Minutes:

Chairman Laffen opened the conference committee on SB2340. Senators Laffen, Bekkedahl and Dotzenrod; Representatives Boehning, Toman and Strinden all present.

Sen. Laffen -- We were going to have some amendments drafted, Matt, would you fill us in on what you know today.

Matt Peyerl, Office of State Tax Commissioner -- I'm going to summarize the amendments that are being drafted. The changes that are coming were to keep the dollar amount at \$2M per year, put in a sunset after 2017 so it would add 2016, & 2017 to the existing law because the existing law goes through 2015. The fiscal note will still read \$2M, which the original bill did because there is only 1 year in this biennium, 2016. That will stay the same. The provision for the rollover of any unused portion of the \$2M will stay in. The removal of the \$10,000 per company cap is coming out and then all changes will be effective for 2015 and forward so that the changes for the purchase lease and the cap proration will be effective for 2015. Those are the changes that are coming that we covered yesterday.

Sen. Laffen -- I'm going to fill Rep. Boehning in on the discussion from last time but any questions for Matt first.

Rep. Boehning -- I thought that we had sunset in the new language that would go to sunset in 2017.

Matt Peyerl -- The sunset language got a little bit fouled up in that the sunset was only on the individual income tax portion and so a fix is needed to make that a sunset for both the corporate income tax side of it and the individual income tax side. The sunset will be cleaned up on that.

Rep. Boehning -- So when would the sunset be?

Matt Peyerl -- It will extend the credit through 2017.

Rep. Boehning -- Then along with the \$2M, you said that was for which, 1 year or 2 years?

Matt Peyerl -- The credit program is \$2M per year. The original bill, in the fiscal note, it only had \$2M and so that got attention of why is it only \$2M instead of \$4. The existing law went through 2015 so that the \$2M for 2015 is apparently already baked in the numbers so it would only have been 2016 so 1 year is in this biennium.

Sen. Laffen -- This bill only adding 1 year is what it is really doing.

Matt Peyerl -- It is only adding 1 year for this biennium and then adding another year that falls into the next biennium. And then adding another year that falls into the next biennium, 2017; it straddles the biennium, the 2 years that it is adding.

Sen. Laffen -- Rep. Boehning, I think that some of the discussion was the caps sort of rendered the credit pretty useless. Nobody was sure that it would even be taken advantage of with those caps.

We are waiting for amendments and I will coordinate those and make sure that we have them by the next meeting.

Rep. Strinden -- We might not want to talk about this at this meeting but I wanted to address the \$10,000 cap because I know that several of us talked to economic development in Grand Forks and, based on the email that we received from the Dept. of Commerce, it looks like that is kind of strangling some of the small businesses that we are trying to help. Rep. Toman and I had chatted informally about the possibility of raising it to \$50,000 or \$100,000. I think it is something that we need to think about and I don't know what everybody else is thinking but I wanted to get that on the table.

Rep. Boehning -- Along those lines, I wouldn't be unwilling to go to the \$100,000 cap on the 4 of them so we would have \$400,000, 4 \$100,000 caps and then with the last \$100,000 we would cap it at \$20,000 so we would have some of these smaller businesses qualified. From the last time it looks like a lot of these were pretty large and it got gobbled up really fast and then in the second year there were some more businesses that came in and fell into the smaller end of this. I think it is the smaller ones that really need the help a bit more. As this bill came out of finance and tax it did fail in the first round and was revived. Beings there was the \$2M in there that was the biggest consternation in the whole bill. That's why when we were in the House appropriations I put the \$500,000 per year and the \$10,000 cap in just so that we could get to talking about this.

Rep. Boehning -- Matt, I believe that these are prorated and so if thinking of big business - small business, if too many companies come in and ask and it exceeds the \$2M we then prorate them all. Everybody gets their share, isn't that correct?

Matt Peyerl -- That's how this bill wants to change it. Everybody views that as a more fair way to allocate the credits when a cap has been met. The original law and the current law now is "first come, first served". The possibility exists that large enterprises could take up

all of the credit if they do their purchases early in a calendar year. And if a small enterprise makes their purchase early in the year they will be almost guaranteed to get theirs too. It's an awkward way to administer something when it's first come, first served. This bill would change that to say all the credits for the year go in a pot. Everybody gets a share of them, if the cap is met.

Sen. Laffen -- Rep. Boehning, does that not handle the issue of big business - small business?

Rep. Boehning -- If you have somebody who has a \$250,000 tax credit coming to them under this language and you have somebody that has a \$50,000, how do you prorate that out? Who wins?

Matt Peyerl -- If this bill were to pass with the change, with the prorating rules, the \$2M in credits, equates to \$10M purchases because it is a 20% credit. Let's say that statewide there's \$15M of purchases so we've exceeded the purchase limit by \$5M. Everybody then would get 2/3 of the credit that they otherwise would get because \$10M was where it was capped but there was \$15M total, you just do a ratio, a proration. If somebody made \$1M of purchases so their credit would have been \$200,000 without the cap, you apply a 2/3 proration to it so they would get \$133,000 of credit. Everybody takes the same percentage cut, big and small.

Sen. Laffen -- Everybody who applies is going to get a credit, if it exceeds the limit, we will have to calculate what everybody's percent is at the end.

Matt Peyerl -- That's exactly correct and one of the benefits of that is that when you are an enterprise making a purchase that is late in the year you know that you are going to get something versus under the current law, you don't know.

Rep. Strinden -- When I spoke with Mr. Lund from the Grand Forks Economic Development he basically said that the proration would take care of taking care of those little businesses so we wouldn't really even need that cap. I'm leaning towards that idea.

Matt Peyerl -- Just to point out, if there is a per-company cap put in any amendments or drafts that bring up the issue of effective dates, do you want that to reach back to 15 or do you want that provision 16 & 17 only, versus the purchase-lease and the cap proration issue? I think everybody wants it in place for 15. If there is a per-company cap brought back in it requires a bit more balancing on the effective dates to make sure it matches everybody's intent.

Sen. Laffen -- Matt, I know that you are working on amendments that coordinate that sunset without caps. We will look at that one. If you guys want another kind of amendment, work on that, but make sure the sunset is coordinated and answers that question.

Sen. Laffen adjourned the meeting.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
4/16/2015
Job #26178

Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Conference Committee

Minutes:

Attachment #1

Chairman Laffen opened the conference committee on SB2340. Senators Laffen, Bekkedahl and Dotzenrod; Representatives Boehning, Toman and Strinden are all present.

Sen. Laffen -- I handed out amendments that came from the tax commissioner's office. **(Attachment #1)** What they do is strike off the caps but gives it a sunset of 3 years, starting effectively this year, so 15,16, & 17. It would expire at the end of that. It is prorated. Everyone gets a piece if we exceed the \$2M. It is capped at \$2M. In 2013 there were 9 companies that applied. They took all \$2M. In 2014, 13 companies applied and took all \$2M. It's likely that the \$2M will be used.

Rep. Strinden -- I really like these amendments and would be very happy to see them move forward. I'm nervous that, with the \$2M amount, we are not going to be able to get this through the House.

Rep. Boehning -- The amendments would work for the House with the exclusion of one part of it: taking the caps off. But like Rep. Strinden said, we are not going to get the \$2M passed in the House.

Sen. Laffen -- Do you want to try and then come back?

Rep. Boehning -- No, because it will probably be dead. I think the \$500,000/year is probably where we are going to be at versus \$2M per year.

Sen. Bekkedahl -- I agree with Rep. Strinden. I like the whole thing. And I wouldn't want to change anything without further consideration.

Sen. Dotzenrod -- If we had 9 companies in the first year of the last biennium and that used all of the \$2M and then it was first come, first served, and the way this is set up if we

changed the \$2M to \$500,000 as each new person comes in the benefit gets smaller and smaller.

Sen. Laffen -- Currently with the proration in it as proposed, that's what will happen.

Sen. Dotzenrod -- But the law that we used for the last 2 years was first come, first served. I am thinking that if you get people to participate, it will get used, but are we going to end up with a fairly small benefit. I think the effectiveness of putting it out there is quite diminished.

Sen. Bekkedahl -- What I don't understand is that you have a program that's existing, that's been successful, that has the current \$2M allocated to it, that the demand has already exceeded the supply of credits that available; other than the fiscal note consideration, we are going to take a successful program, make it even more successful by opening it up to more small business owners, and then turn it into something that isn't even applicable to most businesses that want to use the program. Maybe the answer is to kill it but I don't think that serves the state well either.

Sen. Laffen -- I would guess your thought is does there come a time when you don't need the credit anymore? Does the automation keep continuing to happen without the credit? And is this a way to start weaning off having to give away the credit?

Rep. Boehning -- I can look at it differently, too, do the \$2M this time, next session come back and say this worked really good, let's put in \$4M. Everybody likes the program. These niche programs start out at \$1M and then its \$2M up to \$10M. I think the \$500,000 is the starting point. I don't know if we can do anything more with that.

Sen. Laffen -- Let's think about it. Meet one more time. I will schedule this as quick as I can.

Sen. Laffen adjourned the meeting.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
4/17/2015
Job #26213

- Subcommittee
 Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Conference Committee

Minutes:

Attachment #1

Chairman Laffen opened the conference committee on SB2340. Senators Laffen, Bekkedahl and Dotzenrod; Representatives Boehning, Toman and Strinden all present.

Sen. Laffen -- We've had just a little bit of discussion on our side mostly it revolved around the current year that already has in law a \$2M cap. We are especially nervous about changing that midstream, or halfway through the year. I brought an amendment (**Attachment #1**) that I will hand out and then we can discuss ideas. This amendment is basically what we had presented last time.

Matt Peyerl, Office of State Tax Commissioner -- Yes, current law is \$2M per year and the version that the Senate passed there was the \$2M per year in it without any per-company cap. The version that the House passed was \$500,000 with the \$10,000 per company cap.

Sen. Laffen -- Matt, I'm looking at this amendment, down near the bottom of page 1, It says page 3, line 3 after the period insert the maximum credit that may be claimed by the entity under the subsection for a taxable year is \$10,000. Is that leaving that piece of the cap in this amendment that I have in front of me?

Matt Peyerl -- It looks like it's leaving the cap in there, to me. Or inserting. If you are amending the Senate version of the bill, it looks like it's inserting that cap.

Sen. Laffen -- I think it was my intent to not have that cap in there.

Sen. Dotzenrod -- If you look at the amendment where it says, page 2, line 22, it says overstrike two and below that it says overstrike million and insert five hundred thousand.

Sen. Laffen -- Committee, I think they started with the wrong version of the amendment to which they added the piece that I was looking for.

Rep. Boehning -- I do like that \$500,000 in there. To reiterate, in the House we are at the 500 and the 500.

Sen. Laffen -- I'm going to...

Rep. Boehning -- We like the rest of the language that was in the previous one that you handed out yesterday with the prorating, etc. That is good in the amendment but the higher ups have been telling me that it is 500 and 500 as we passed it out of appropriations and on the floor.

Sen. Laffen -- I am going to redraft my version and we will go from there.

Rep. Boehning -- If you wanted to put the 500 in there and 500 I think we would have a deal.

Sen. Laffen -- Rep. Boehning, are you talking 500 for this current year? Or the next 2 years?

Rep. Boehning -- The next 2 years. I'm not sure how this bill is actually going to work because it's 500 to 500 I'm talking for the next biennium. It is what I am assuming. Or do we have another \$2M that we are dealing with this year yet?

Sen. Laffen -- The current law is already on record as \$2M for this entire calendar year. We are not sure how to make it work administratively if we say that we are changing that now, midstream to a half a million. We are not sure how to handle that.

Rep. Toman -- I think in tax committee, when we discussed this is that it would not apply to the current calendar year that we are in but the next two would be the \$500,000.

Matt Peyerl -- If you are looking at the Christmas tree version that we had yesterday, .04000. I just spoke briefly with our legal counsel about how to carve out the cap change and lease change so that they happen for 15 but then the cap change wouldn't happen until 16 and on page 2, lines 21 is that it would have to have some language inserted that for the tax year 2015, essentially, the cap is \$2M but for 16 & 17 it's \$500,000. You would have to insert the language there to identify which years have which cap.

Sen. Laffen -- If I am understanding that right, you could live with \$2M for the year 2015, \$500,000 for 16 and \$500,000 for 17?

Rep. Boehning -- I don't think I have the fiscal note but I think the fiscal note for the original bill was \$2M. We are going calendar years versus fiscal year and that is where we are having a problem here. We are working with different timelines. I am looking at the general fund, 15-17, the original bill has a \$2M fiscal note. We are not talking about this year's law, we're talking about the next biennium's law. The old law would apply to this fiscal year carried out through the tax year for the calendar's year. Can you answer how that will go forth?

Matt Peyerl -- The fiscal note to the original bill is probably a good place to start with that explanation and that was .02000 and you are right, it showed \$2M in this biennium. In the text of that fiscal note, since it is \$2M/year we had the question in House finance and tax, why isn't it \$4M for the current biennium? The answer is because current law already accounts for \$2M for the first year. Therefore, it was only the 2016 calendar that hit this biennium's fiscal note. That's why there was just \$2M in the original version. Essentially, if the only change that comes out now from the original bill to now is reducing it for 2016 from \$2M down to \$500,000 the fiscal note should be a negative \$500,000 for this biennium and then the 2017 falls into the next one and if you wanted to fill in the next biennium it would be \$500,000 for that one too. Since the \$2M is already in current law, it is kind of confusing how it was reflected in this original note.

Sen. Laffen -- So our opinion is, if we left \$2M for this year, went \$500 for 16 and \$500 for 17, the fiscal note would show a minus \$500,000.

Matt Peyerl -- That's what my understanding is.

Rep. Boehning -- You draft yours up and if we can get a fiscal note on this or some language in there so that we can take a look at this and figure it out. If we've got it in there already, if we've got the money spent, if we don't move that forward, that \$2M go from the \$500,000 for this calendar year.

Matt Peyerl -- The 2015 you can consider spent when they were looking at what to do for the fiscal note but the current law had a sunset on it so 2015 was the last year that there was money already baked in so that is why 2016 has a fiscal impact in the fiscal note. It's only 2016 that hits this biennium so it's just one year of your changes that are going to hit this biennium.

Sen. Laffen -- 2017 doesn't show up on this fiscal note?

Matt Peyerl -- It doesn't show up on the fiscal note but my assumption is that sometimes they fill out the next biennium and sometimes they don't.

Sen. Laffen -- Let me consider those on our side and...

Rep. Toman -- Was there still questions on the \$10,000 cap?

Rep. Boehning -- I think I can live with removing the \$10,000 cap in there. I like the prorating. It is going to work out better for all of them, unless we set up another pool of money of \$100,000 and cap them at \$10,000. It probably gets convoluted, I'm assuming.

Sen. Laffen -- Can we live without that \$10,000 cap? In my opinion, that is such a small tax credit that the whole program becomes kind of worthless.

Rep. Boehning -- I think the language that you put in there for the prorating. I can live with that. I think the House can. Its dollars that we are more concerned about.

Sen. Laffen -- Let me draft those amendments and we will adjourn today.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
4/21/2015
Job #26300

Subcommittee
 Conference Committee

Committee Clerk Signature

Alicia Grove

Explanation or reason for introduction of bill/resolution:

Conference Committee

Minutes:

Attachments #1, #2, #3

Chairman Laffen opened the conference committee on SB2340. Senators Laffen, Bekkedahl and Dotzenrod; Representatives Vigesaa, Toman and Strinden all present.

Sen. Laffen -- (Attachments #1,#2,#3) Let me recap where I think we are; this is automation tax credits. The tax credits in the past have had a cap of \$2M total budget, no cap on the company and they were on a first come first served basis. Larger companies were generally taking advantage of these and it had a sunset that makes it expire at the end of this year. The original bill just got rid of the sunset. We approved your side, changed it to a new sunset of 3 years which would end in 2017 and lowered the amount of total credit available to \$500,000, \$500,000, \$500,000. There was one other component in there that made the amount prorated so that everybody who applies would get some part of it. If we go over the \$2M cap we just start prorating everybody at the end of the year. I think that we've all agreed that the proration works fine. We've all agreed that the sunsets are okay. I think that we've all agreed that your idea of 500,000, 500,000, 500,000 for the first year doesn't work because it's already on the books for 2015 as a \$2M cap and we are too far into 2015 to retroactively go back and change that. I think that we've agreed that \$2M is the right number for 2015. I think we are only now debating what's the right number for 2016 and 2017. 2016 is the only year that affects the fiscal note. 2017 is past what we have fiscal notes for and 2015 is already booked as \$2M within the fiscal program. That's where we are at. The House added a maximum credit for any one entity for \$10,000, and as we ran the math that pretty much just ended the program because it was so small. We have agreed to take that part of it out. I spent the weekend visiting with EDND. They conferenced on this bill on Friday and filled me in on their thoughts. Their thoughts are that anything less than \$1M doesn't do what they think we wanted to do in that \$2M is enough credit that actually incentivizes and changes behavior in some of these companies. (meter 4:00-6:06)

Rep. Vigesaa -- Thank you for allowing me to sit in this morning. I remember the bill but I know that Rep. Boehning was working pretty hard on this. I apologize for him not being

here today and I will fill in as admirably as I can, but the question about removing the cap, is there any fear that our larger companies will gobble up the majority of the funds?

Rep. Toman -- With the proration, I think that solves that.

Sen. Laffen -- We are pretty sure that they will go beyond whatever cap we set because they are already going beyond the \$2M. The proration, let's say they do \$4M, everybody is going to get half of what they applied for then. Everybody is treated equally under that idea.

Rep. Strinden -- There was some informal conversation in the chamber about how to further target the smaller businesses but there just wasn't a good solution for that. On my end, the proration turned out to be the best solution that wasn't going to take 3 years of figuring out.

Rep. Vigesaa -- I'm also in favor of trying to help the smaller companies. We know that the large firms can probably afford to go to this automation equipment when they need it. In Cooperstown we have 3 small manufacturers that employ a lot of people and I think one of them has used this program. I am supportive of moving forward with this. From the House perspective, I'm sure that it is just the dollar amount because the fear would be if we bring it back with too large a number that it might reach some resistance as far as passage.

Sen. Laffen -- The \$2M, \$1M, \$1M, would effectively cut the program in half. Up until today it's always been \$2M per year.

Rep. Vigesaa -- So what we had in the House was \$500,000 per year.

Sen. Laffen -- That's correct and it was for even this year which we all decided just because of where we're at it would be very difficult to make work. And then the sunsets got weird with this year being changed. It's too late to change this year, we are agreed.

Rep. Vigesaa -- That's the language on page 2, where it says for the 2016 and 2017 calendar year.

Sen. Laffen -- Representatives, I don't think anybody wants to lose this bill. I think we would like to try and move this amendment that cuts it in half and from what I'm hearing from the industry if we can't do this much then there's not much difference from killing the bill. If we go down to \$500,000 we aren't doing much anyway.

Rep. Strinden -- It's my understanding that because 2015 is already in the books, if this weren't to pass we still would have this year.

Sen. Laffen -- It just sunsets for next year.

Rep. Vigesaa -- Without Rep. Boehning here, I would hesitate to go with your amendment at this point. This is a bill that is important to him and I hope that he will be back tomorrow and I think as the House conferees we will need to have a good conversation about the level that we want to be at. I'd like to meet again tomorrow.

Sen. Laffen adjourned the meeting.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
4/22/2015
Job #26344

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Conference Committee

Minutes:

Chairman Laffen called the conference committee on 2340 to order. Senators Laffen, Bekkedahl and Dotzenrod; Representatives Vigesaa, Toman and Strinden all present.

Sen. Laffen -- We were leaving this for you to come back and give us your thoughts.

Rep. Vigesaa -- We had discussions with some of the Senate conferees today but we just received late word that the House wants to talk a bit more. We had discussed some options but on the way down Rep. Toman was approached by Rep. Delzer and we would like to visit a bit more about this.

Sen. Laffen -- Okay. We can try to reschedule. We are adjourned.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
4/22/2015
Job #26367

Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Groves

Explanation or reason for introduction of bill/resolution:

Conference committee

Minutes:

Chairman Laffen opened the committee work on SB2340. Senators Laffen, Bekkedahl and Dotzenrod; Representatives Vigesaa, Toman and Strinden all present.

Rep. Vigesaa -- We've had extensive discussions today and it is going to be the House position to stay at the \$500,000. I think the rest of the amendments that you proposed in the Christmas tree version would be fine, except that our wish would be that on line 27, on page 2, instead of \$1M it would be \$500,000.

Sen. Laffen -- Remind me where you are at? Page 2, line 27? For 2 calendar years, you are proposing, instead of \$1M, \$500,000?

Rep. Vigesaa -- I think that's the only thing that would be changed. We have had extensive discussions and we are going to remain at that number.

Sen. Laffen -- I really wanted to end this but I am not sure that we can agree to that. If you want to move that, we could try, or we could adjourn and let us discuss some more on our side.

Sen. Dotzenrod -- For clarification, page 2, line 23 and 24 where that \$2M is, that's the part that's in the current biennium? The biennium we are in now is \$2M and it is going to stay \$2M? There was at one time talk about changing that. That is going to stay. We are talking here about, down in 26 & 27, those 2 years at the aggregate each year if \$1M but only 1 of those 2 years is in the next biennium, right?

Sen. Laffen -- Matt, correct me if I am wrong but in the next biennium, half of the second year would be in the biennium.

Matt Peyerl -- That's correct. The memo from Joe Becker, dated April 17, that laid out that only \$500,000 of the 2 years that's in this bill falls in this biennium. The other \$500,000

falls into the next biennium. That revised fiscal analysis would be \$500,000 for this biennium. And as Sen. Dotzenrod alluded to the \$2M for 2015 is accounted for in current law so it has no impact on the fiscal analysis.

Sen. Dotzenrod -- You referred to \$500,000. We are talking about the same thing. It's just that we have different versions. My line 27 is \$1M for each of the 2 years. And you are probably talking about a version that had \$500,000 for each of the 2 years.

Matt Peyerl -- That's correct. You can just substitute \$1M for the \$500,000 or vice versa whichever one you land on. It's only 1 year hits this biennium fiscal impact.

Sen. Bekkedahl -- I thought, on an earlier fiscal note I saw, I'm looking at the 2000 version, it shows a fiscal note of \$2M. On the 4000 version which I think is this version with the amendments we have now, it shows \$220,000. Am I reading something wrong there?

Matt Peyerl -- That fiscal note that has the \$200,000 figure was based on our office's analysis using the caps of \$10,000 per company. That had in it the assumption that we wouldn't hit the \$500,000 because the company's that participate would only hit \$10,000 and so there won't be many that accumulate that much money. It was limited that way.

Sen. Bekkedahl -- What fiscal note were you using then in the analysis that is giving the issue for the House side?

Rep. Vigesaa -- I don't think that we were looking at a fiscal note. We were looking at the overall expenditure. Just trying to keep the dollars down and we realize that this won't be a large impact to some companies that may want to apply for this but we think it could still help some of the smaller companies because some that are large will probably do these projects anyway and the tax incentive isn't going to be great for them. They are more than likely going to do the project anyway. Our position is \$500,000 per year.

Sen. Laffen -- And, the amendment, if you were to move that we could use the same one and just substitute \$500,000 in lieu of \$1M on line 27?

Rep. Strinden -- Another thing that we could do that would make the fiscal note okay for the House, is to put the entire \$1M into 2016 because we are coming back at the beginning of 2017; then if we have money in 2017 we could fund the program back to January 1 in our next session.

Sen. Laffen -- Another possibility. Personally, I would prefer that. Matt, is that possible?

Matt Peyerl -- That would be possible. The fiscal note that would be formally prepared if it were \$500,000 for each of the next 2 years, 2016 & 2017, the fiscal note would show \$500,000. If an idea like that were incorporated into a formal fiscal note, pulling it all into 2016, then it would be \$1M.

Sen. Laffen -- I'm not sure that helps the end game that you are trying to get to.

Rep. Vigesaa -- No, I don't think it would.

Sen. Laffen -- The fiscal note that we are currently working with is the issue.

Rep. Vigesaa -- Correct because that is what we are working on, the budget status, trying to get to a number at the end of this biennium and that would actually increase it by \$500,000. For myself, I would prefer to stay with the \$500,000 per year.

Sen. Laffen -- Senators, would you prefer to discuss this some more?

Sen. Bekkedahl -- I think, at the very least, we should be discussing this with the prime sponsor of the bill and the people who were involved with drafting it before we come back.

Sen. Laffen -- I know that we are intending on gaveling in tomorrow so we will still be here. Okay, let's take this back. We are adjourned.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2340
4/23/2015
Job #26379

Subcommittee
 Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Conference committee

Minutes:

Attachment #1

Chairman Laffen opened the conference committee work on SB2340. Senators Laffen, Bekkedahl and Dotzenrod; Representatives Vigesaa, Toman and Strinden all present.

Sen. Laffen -- (Attachment #1) We got together and will agree to what you had proposed at the last meeting which, to summarize, it is our changes to your changes with the exception that it would become \$2M, \$500,000, \$500,000. It keeps everything else, the proration, lifts the cap of \$10,000 and I think that we where we left on and we are going to agree to that. What I handed out is actually Our amendment that we had put on the bill is all of that, with the exception of what I handed out, page 2, line 25, where it says after and then scratches and then inserts for the 2016, 2017 calendar years the aggregate amounts of credits allowed each calendar year may not exceed, and it was at \$1M and you are lowering those 2 years to \$500,000. If you fix that, then this amendment is actually is what we are agreeing to. The official motion would be that we accede and amend to this.

Rep. Vigesaa -- I believe so. It's always looking at these amendments it's always confusing and what to have to proper motion but if your council has thought that was correct, I would guess it is because you are agreeing to all the other amendments that we had and then adding to them. So we didn't have to recede from them. You are agreeing with what we changed and then you were adding additional language.

Sen. Laffen -- If you prefer we can go back to the Christmas tree version.

Rep. Vigesaa -- I'm looking at it in concert with the amendments and it looks like it all lines up.

Sen. Laffen -- What I handed out is the official amendments that created the Christmas tree version. In the Christmas tree version we are just changing on page 2, line 27, the same thing. \$1M to \$500,000.

Rep. Strinden -- I'm just looking at this really briefly but on the amendment that you just handed out, I'm not seeing where it is crossing out the cap of \$10,000. Can you find that?

Sen. Bekkedahl -- If you look on this amendment page where it says line 2, page 16, remove the maximum credit that and then you remove line 17. I believe that is the removal language. And then line 18 remove the word dollars. And then further if you look down it says, page 3, line 7, remove the maximum credit that may be, and then remove line 8, that's the other reference I think you are referring to.

Rep. Strinden -- Thank you.

Rep. Vigesaa -- Just to be clear on page 2, the language added from line 27 through 31, handles the proration portion of the bill then, because removing the cap but it is prorated. Lines 29 through 31 on page 2, just to be clear, that's where... Starting halfway through on line 29, if the aggregate amount of credits claimed under this section exceeds the amount available in the calendar year, the tax commissioner shall prorate the credits among the claimants. And that was the substitution for the \$10,000 cap.

(Meter 4:09-5:50) Discussion concerning changing the aggregate amount of credits allowed each calendar year. It was decided to change the \$1M to \$500,000.

Sen. Bekkedahl -- I would move that the Senate accede to the House amendments and further amend. (According to Legislative Council, the appropriate action is for the House to recede from House amendments and amend.)

Sen. Laffen -- The 04000, as amended, right?

Rep. Vigesaa -- Seconded.

Roll call vote: Senators 3 yes; Representatives 3 yes.

Carriers: Sen. Laffen, Representative Vigessa

Sen. Laffen -- We are adjourned.

April 23, 2015

10/23/15
JG

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2340

That the House recede from its amendments as printed on page 1320 of the Senate Journal and pages 1473 and 1474 of the House Journal and that Engrossed Senate Bill No. 2340 be amended as follows:

Page 1, line 1, remove "create and enact a new subdivision to subsection 3 of section 1 of Senate"

Page 1, remove lines 2 and 3

Page 1, line 4, after "57-38-01.33" insert "and subdivision r of subsection 7 of section 57-38-30.3"

Page 1, line 6, replace "and" with "to provide a statement of legislative intent;"

Page 1, line 6, after "date" insert "; and to provide an expiration date"

Page 1, remove lines 8 through 11

Page 1, line 14, remove the overstrike over "**(Effective for the first three taxable years beginning after December 31,**"

Page 1, line 15, after "~~2012~~" insert "2014"

Page 1, line 15, remove the overstrike over the boldfaced ending parentheses

Page 2, line 22, overstrike "The" and insert immediately thereafter "For the 2015 calendar year, the"

Page 2, line 23, overstrike "in any calendar year"

Page 2, line 24, after "purchase" insert "For the 2016 and 2017 calendar years, the aggregate amount of credits allowed each calendar year may not exceed five hundred thousand dollars. However, if the maximum amount of allowed credits are not claimed in any calendar year, any remaining unclaimed credits may be carried forward and made available in the next succeeding calendar year."

Page 2, line 25, replace "two million dollars" with "the amount available"

Page 2, line 26, remove "allowable amount of"

Page 3, after line 24, insert:

"SECTION 2. AMENDMENT. Subdivision r of subsection 7 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

- r. Automating manufacturing processes tax credit under section 57-38-01.33 (effective for the first ~~three~~five taxable years beginning after December 31, 2012).

SECTION 3. LEGISLATIVE INTENT REGARDING AUTOMATING MANUFACTURING PROCESSES CREDIT. It is the intent of the sixty-fourth legislative assembly that the income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes be one of the economic

2/2

development tax incentives selected for analysis during the 2015-16 interim by the legislative management interim committee assigned the study responsibility under subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly."

Page 3, line 25, after "DATE" insert "- EXPIRATION DATE"

Page 3, line 25, replace "purchases made" with "the first three taxable years"

Page 3, line 26, after "2014" insert ", and is thereafter ineffective"

Renumber accordingly

**2015 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. SB2340 as engrossed

Senate Finance & Tax Committee

- Action Taken**
- SENATE accede to House Amendments**
 - SENATE accede to House Amendments and further amend**
 - HOUSE recede from House amendments**
 - HOUSE recede from House amendments and amend as follows**
 - Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Sen. Bekkedahl Seconded by: Rep. Vigesaa

Senators		4/23		Yes	No	Representatives		4/23		Yes	No
Sen. Laffen		X		X		Rep. Vigesaa		X		X	
Sen. Bekkedahl		X		X		Rep. Toman		X		X	
Sen. Dotzenrod		X		X		Rep. Strinden		X		X	
Total Senate Vote				3		Total Rep. Vote				3	

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Sen. Laffen House Carrier Rep. Vigesaa

LC Number 15.0991.02004 . 05000 of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

SB 2340, as engrossed: Your conference committee (Sens. Laffen, Bekkedahl, Dotzenrod and Reps. Vigesaa, Toman, Strinden) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ page 1320, adopt amendments as follows, and place SB 2340 on the Seventh order:

That the House recede from its amendments as printed on page 1320 of the Senate Journal and pages 1473 and 1474 of the House Journal and that Engrossed Senate Bill No. 2340 be amended as follows:

Page 1, line 1, remove "create and enact a new subdivision to subsection 3 of section 1 of Senate"

Page 1, remove lines 2 and 3

Page 1, line 4, after "57-38-01.33" insert "and subdivision r of subsection 7 of section 57-38-30.3"

Page 1, line 6, replace "and" with "to provide a statement of legislative intent;"

Page 1, line 6, after "date" insert "; and to provide an expiration date"

Page 1, remove lines 8 through 11

Page 1, line 14, remove the overstrike over "~~(Effective for the first three taxable years beginning after December 31,~~"

Page 1, line 15, after "~~2012~~" insert "2014"

Page 1, line 15, remove the overstrike over the boldfaced ending parentheses

Page 2, line 22, overstrike "The" and insert immediately thereafter "For the 2015 calendar year, the"

Page 2, line 23, overstrike "in any calendar year"

Page 2, line 24, after "purchase" insert "For the 2016 and 2017 calendar years, the aggregate amount of credits allowed each calendar year may not exceed five hundred thousand dollars. However, if the maximum amount of allowed credits are not claimed in any calendar year, any remaining unclaimed credits may be carried forward and made available in the next succeeding calendar year."

Page 2, line 25, replace "two million dollars" with "the amount available"

Page 2, line 26, remove "allowable amount of"

Page 3, after line 24, insert:

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- r. Automating manufacturing processes tax credit under section 57-38-01.33 (effective for the first ~~three~~five taxable years beginning after December 31, 2012).

SECTION 3. LEGISLATIVE INTENT REGARDING AUTOMATING MANUFACTURING PROCESSES CREDIT. It is the intent of the sixty-fourth legislative assembly that the income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes be one of the economic development tax incentives selected for analysis during the 2015-16 interim by the legislative management interim committee assigned the study

responsibility under subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly."

Page 3, line 25, after "**DATE**" insert "- **EXPIRATION DATE**"

Page 3, line 25, replace "purchases made" with "the first three taxable years"

Page 3, line 26, after "2014" insert ", and is thereafter ineffective"

Renumber accordingly

Engrossed SB 2340 was placed on the Seventh order of business on the calendar.

2015 TESTIMONY

SB 2340

NORTH DAKOTA SENATE

#1



STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360

Senator Tom Campbell

District 19
15135 County Road 11
Grafton, ND 58237-8802
Cell: 701-520-2727
tomcampbell@nd.gov

COMMITTEES:
Industry, Business and Labor
Transportation

02/09/2015

Mr. Chairman and Senators Laffen, Bekkedahl, Oehlke, Unruh, Dotzenrod & Triplett;

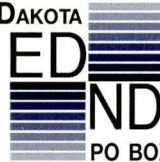
Thank you for allowing me to present SB 2340. For the record I am Senator Tom Campbell from District 19. Have I got a solution to make you look good in helping to solve our 25,000 state wide shortage of workers!!! Keep in mind this bill has no intention to ever automate or eliminate the tax committee or chairmanship.

The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating manufacturing processes. This tax credit promotes efficiencies and innovation in our North Dakota companies, which helps manufacturers increase productivity and address workforce challenges to gain market share and maximize global competitiveness.

Available to primary sector businesses, the income tax credit can be applied to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The tax credit is equal to 20 percent of the qualified automation equipment purchase. The tax credit program is limited to \$2 million of aggregated tax credit per taxable year.

I have been actively looking for solutions to help solve our work force shortage with the Al Anderson Commerce Dept. and the Governor all summer long and feel this is one creative way.

Thank you



#2

**Testimony of Keith Lund, President
Economic Development Association of North Dakota
In Support of SB 2340
February 9, 2015**

Chairman Cook and members of the Senate Finance and Taxation Committee, I'm Keith Lund, vice president of the Grand Forks Region Economic Development Corporation and president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support for SB 2340, which would extend the income tax credit for purchases of manufacturing and equipment for the purpose of automating manufacturing processes.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Automation Tax Credit

This legislation originally came out of the 2009 Interim Workforce Committee and was approved for three taxable years beginning in 2013. It is set to sunset at the end of 2015, unless the sunset clause is removed or amended this session. The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session.

The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating manufacturing processes. This tax credit promotes efficiencies and innovation in our North Dakota companies, which helps manufacturers increase productivity and address workforce challenges to gain market share and maximize global competitiveness.

Available to primary sector businesses, the income tax credit can be applied to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The tax credit is equal to 20 percent of the qualified automation equipment purchase and is limited to \$2 million of aggregated tax credit per taxable year.

Increases Competitiveness

- For manufacturing companies to be competitive in a global market, they need to continue to automate and innovate. The tax credit supports capital investment in automation, which provides companies with the ability to supply current and new markets.
- Automation supports manufacturers' needs to continually improve quality control systems in their manufacturing processes.
- North Dakota companies have to compete with companies all around the world that benefit from government support and lower wages.

- The ability of North Dakota manufacturing companies to become more efficient and increase their speed to markets has become their competitive advantage. This helps ensure manufacturing is a viable industry in North Dakota.

Addresses Workforce Needs

- North Dakota companies are struggling to find employees. Automation helps address workforce needs while providing a company the capacity to increase production within their existing manufacturing processes, thereby creating the opportunity to grow and serve new markets.
- Automation can result in more highly-skilled, technical workers, in higher-paying positions, which leads to increased tax revenue.
- It can also lead to the need for higher-skilled technical positions to meet demands of new markets.

SB 2340 Details

- Removes the sunset clause.
- Adds a provision that would recognize a “purchase lease” for eligibility purposes. Current law does not allow for this relatively routine acquisition option.
- Provides that tax credits for eligible investments would be prorated if there were more applications approved than program funding caps allow. Current law provides benefits on a first-come, first-served basis.

Ongoing Evaluation

Our organization supports a periodic review of state’s investment in business support programs to grow and diversify North Dakota’s economy these investments. SB 2057, which EDND supports, establishes an evaluation process for economic development tax incentives, which would also apply to the automation tax credit if the sunset is removed. A review process helps demonstrate to the public that these investment decisions are not taken lightly, and confirm that the investments have a net gain to the state.

Attachments and Testimony

Attached to my testimony are letters of support from economic developers and North Dakota companies. We also have an Jim Gartin, President of the Greater Fargo Moorhead Economic Development Corporation with us today and representatives from John Deere, Steffes Corporation and Cloverdale Foods Company to share how things program impacts them.

Thank you for the opportunity to appear before you today to express our support for SB 2340. It enhances economic growth in the state, reduces the tax burden of growing businesses, reduces the state’s outsourcing of manufacturing and permanently establishes a proven, vital tax incentive for manufacturers to automate and improve their facilities.



February 6, 2015

Re: Support of SB 2340

Dear Chairman Cook;

I am writing to you to support SB 2340, which provides tax credit for companies in North Dakota that invest in automation.

Baker Boy is located in Dickinson. We have 225 hardworking, quality conscious employees. Our plant occupies 146,000 sq.ft. and employee a good amount of automations equipment. That said, we compete with multi-national companies like General Mills with a great deal more automation and the benefit cost structure that goes along with that.

While years ago, the degree of automation we have, along with the wages we were paying allowed us to compete, energy development has changed all this. Our starting wage had risen to \$17.50/hour. We compete with many food manufacturers, located in other part of the country that are paying \$10.00/ hour or less.

These factors have along with the inability to obtain an adequate workforce, at even these higher rates, have prompted us to invest in more automation. This fiscal year (April – March 2015) year alone, we have installed:

- Robotic Tray handing system - \$550,000.00
- New Donut Fry System - \$700,000.00

Next year, we are considering a Robotic Palletizer with a Laser Guided Vehicle, which will place the finished products automatically in our Storage Freezer.

I share this with you because the Automation Tax Credit is a big factor when weighing our ROI. You should also know that it is this type of Automation, coupled with effective training, allows us to pay our employees an even higher wage. Operators of this type of automation

bakerboy.com

170 GTA Drive Dickinson, North Dakota 58601 > 701 225 4444 > 800 437 2008

#3.2
29.5



equipment are paid \$20.00 - \$24.00/hour. This allows us to create better jobs and yet compete. It also encourages us to invest in North Dakota, rather than locate a 2nd plant elsewhere, where workforce is ample and less costly.

In closing, I would urge a "Do Pass" on SB 2340. Please feel free to contact myself with any questions you or your committee members may have.

Sincerely,

Guy M. Moos,
President



PIVOTAL EDGE

#A
2.9.15
SB2340

February 6, 2015

PIVOTAL EDGE Inc.

Physical Location

4503 19th St. SE
Mandan, North Dakota 58557
USA.

Mailing Address

P.O. Box 2636
Bismarck, North Dakota 58502
USA

BACKGROUND

Pivotal Edge is a privately owned North Dakota company that builds a cover for pneumatic tanks. The cover is a replacement for the manual cover currently used and allows the driver to operate the cover from the safety of the ground and provide a more efficient operation for the trucking industry. The trailers would haul dry products such as: Cement, Fly Ash, Frac sand, flower, charcoal, plastic pellets any many other products around the world. We currently have two employees.

Our manufacturing plant is located in Mandan, ND where we have been located for the past five years. We have approximately 50% of our sales outside of North America, and our sales volume is growing at 35% a year.

AUTOMATION TAX CREDIT IMPACT

Pivotal Edge, Inc. has international relationships that would make it easy for us to locate in any country, or state. North Dakota has been both active and progressive in building business incentives, the automation tax credit is another tool used by business for the key economic growth that the State is looking for. The help that automation tax credit gives us is to keep us competitive in the global market place. We currently out-source some of our machining operations. The automation tax credit has been calculated into our business plan to determine at what point we are able to bring this work in house.

Pivotal Edge has used the tax credit on two pieces of equipment this has increased our production by making our process safer and more efficient.

The automation tax credit is available to small or large business making it a create tool for the manufacturing base in North Dakota.

I would request that you give your favorable consideration for SB 2340.

Jay Beyer
Vice-President

#5
2.9.15

Dear Members of the Senate Finance and Taxation Committee,

I am writing in support of SB2340 to prevent the sunset of a program which is extremely valuable to our North Dakota manufacturing community: the Automation Tax Credit.

Killdeer Mountain Manufacturing (KMM) is a Tier 1 electronic subassembly supplier in the aerospace community. Our company supplies to customers such as Boeing, Lockheed Martin, Raytheon and others in the elite aerospace global supply chain. We provide just over 330 jobs in four factories across southwestern North Dakota and we are well-positioned for growth.

KMM has utilized this tax credit to help our business capture new work opportunities and offset significant portions of costs associated with opening new lines of production. KMM is a dynamic company with an engrained culture of continuous improvement. Automated equipment is critical to our vision of ever-moving forward in producing new technological solutions for the American warfighter and for advancing the state of the art in aerospace in general.

We remain committed to our employees and are continuously identifying ways in which we can increase the quality of life in our work place, and find ways to increase wages. Automated equipment has enabled us to maximize on newfound efficiencies that help us to save dollars in our production; those dollars can then be passed on to our workforce.

KMM has also benefited from the expanded capacities that result from automated equipment. This has enabled us to take on even greater levels of work and increased sales. These gains are also passed on in the way of opportunities for upward mobility for our workforce.

KMM has also worked very closely with our higher education community. Our customers value our close working relationship with engineering and aerospace schools.

It is our hope that you will support this legislation. The Automation Tax Credit has proven to be a well-reasoned, conservative, yet pro-business policy that provides a great return on investment for our region.

Best regards,
Kristin Hedger
Vice President
Killdeer Mountain Manufacturing



#6
2.9.15
3132340

January 29, 2015

Chairman Cook
Senate Finance and Taxation Committee
Bismarck, ND

Dear Chairman Cook,

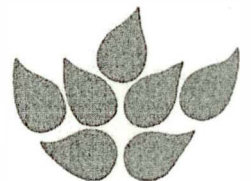
Swanson Health Products received a North Dakota tax credit of \$121,645 for the purchase of \$608,225 in automation equipment purchases. We purchased a robotic mini load for handling our inventory, which consists of 20,000 SKU's. The new equipment greatly increased our speed and efficiency in handling this many SKU's.

We urge you to extend the Automation Tax Credit. It significantly aided the affordability of the equipment.

Sincerely,

Douglas Anderson
CFO, Swanson Health Products
701.356.2830
doug.anderson@swansonhealth.com

Swanson Health Products
4075 40 Avenue SW | Fargo, ND 58104
701.356.2700



#7
2.9.15
SB2340



Peterson
Farms Seed

3104 164th Ave SE

Harwood, ND 58042

701-282-7476

866-481-7333

Fax 701-282-7554

www.petersonfarmsseed.com

Chairman Dwight Cook
North Dakota Senate Finance and Taxation Committee
January 29, 2015

Dear Chairman Cook and committee members:

I am writing today in support of the Automation Tax Credit reauthorization.

Our little North Dakota company processes soybean seed for planting—largely by North Dakota farmers. Our raw product is also largely produced by North Dakota farmers. Our primary competitors are large out of state companies with capital resources many times what we can muster.

Nonetheless, as seed processing technology continues to rapidly evolve, to remain competitive, we must continually improve our processes.

We are currently working on a very significant plant expansion with automated process that will help improve both quality and efficiency. Access to the Automation Tax Credit is crucial to helping us afford this large project.

There are many North Dakota companies in the same situation. Therefore, we strongly urge reauthorization of this vital economic development tool.

Thank you for your consideration.

Sincerely,

Carl Peterson, President
Peterson Farms Seed

#8

TESTIMONY
to the
North Dakota State Senate
Finance & Taxation Committee
Senator Dwight Cook, Chairman
Monday, February 9, 2015

RE: SUPPORT FOR SB 2340 relating to extending the Automation Tax Credit

PRESENTED BY: Jane P. Priebe, CECD, Director, Wahpeton Economic Development

It is well known that many of our companies struggle to find people to fill technically skilled positions that keep a business competitive. Automation is the next best thing to addressing this issue and the tax credit supports capital investment in automation. This tax credit on automation equipment purchases will sunset in 2015 unless SB 2340 is passed. The bill removes the sunset clause, adds a "purchase lease" provision in the eligibility requirements, and allows more applications for the tax credit on a prorated basis.

Wahpeton's WCCO Belting is just one of many manufacturers in the state that understand automating manufacturing processes which can also lead to the need for higher-skilled technical positions. Our companies need to be competitive in this global market and need continue to innovate, improve, and become more efficient.

The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session. Wahpeton Economic Development is a member of EDND and we also **SUPPORT SB 2340**.

Cando Office

PO Box 608 - 609 Fourth Avenue
Cando, ND 58324 0608
PHONE: 701/968-3314
FAX 701/968-1747

NORTHERN PLAINS *Electric Cooperative*

#9
2-9-15
Carrington Office

PO Box 180 - 1515 West Main
Carrington, ND 58421-0180
PHONE: 701/652-3156
FAX: 701/652-1854

Your Touchstone Energy® Cooperative



1-800-882-2500 E-Mail: justask@nplains.com

Web: <http://www.nplains.com>

February 5, 2015

Senator Dwight Cook, Chairman
Senate Finance and Taxation Committee

Dear Senator Cook and Committee Members:

Thank you for accepting this written testimony in support of SB2340. My name is JoAnn Rodenbiker, director of business development for Northern Plains Electric Cooperative. As a member of the Economic Development Association of North Dakota, I am providing my support for extension of the Automation Tax Credit.

EDND is the voice of the state's economic development community and views business incentives as investments that are targeted at the state and local level to encourage capital investment, property tax base expansion, job creation and retention, increased economic activity, diversification, and community development.

Automation helps ensure manufacturing continues to be a viable industry in North Dakota by helping North Dakota companies become more efficient and provide speed to market, a competitive advantage. SB2340, through the tax credit, helps address workforce needs at a time when many companies are struggling to find employees and automation can result in more highly-skilled workers, in higher paying positions.

The extension of the Automation Tax Credit promotes innovation in our companies, increasing productivity and addressing workforce challenges, while allowing those companies to continue to gain market share. I encourage a DO PASS on SB2340.

Thank you.

Sincerely,

JoAnn Rodenbiker
Director of Business Development

#10
2.9.15

February 5, 2015

Mr. Dwight Cook Chairman,
Senate Finance and Taxation Committee
600 E. Boulevard Avenue
Bismarck, North Dakota 58505

RE: (SB 2340) The Automation Tax Credit Extension

Dear Chairman Cook and Members of the Committee,

I am writing on behalf of the Williston Economic Development office to express our full support of Senate Bill 2340.


In Williston, the oil and gas operators in the Williston Basin face a higher break-even crude price due to higher costs and inefficiencies in the Bakken supply chain. On the other hand, we have regional manufacturers and logistics companies that can serve the oil and gas industry in a way that reduces costs and turn-around times as this market begins to mature.

To address this we have launched "The Bakken Supply Chain Initiative" aiming to reduce costs and increase efficiencies for Bakken operators, while expanding manufacturing and logistics business development in the Bakken region.

Therefore, our success within this initiative is dependent on the regional manufacturing base remaining competitive in the global market with the need to continue to automate and innovate. The automation tax credit extension helps ensure manufacturing remains a viable industry in North Dakota.

On behalf of the Williston Economic Development office I respectfully request that the Senate Finance and Taxation Committee support SB 2340.

Best Regards,



Shawn Wenko
Executive Director
Williston Economic Development

11
2.9.15

Testimony re: SB 2340

Senate Finance and Tax Committee

Chairman Cook and Members of the Committee

My name is John Phillips and I am past president of Economic Development North Dakota and have been the Economic Development Director in Beulah, North Dakota for 27 years. I am submitting written testimony to testify in favor of removing the sunset clause from the Automation Tax Credit incentive.

You are all aware of how competitive it is to recruit business and industry to the state and the ability to gain a market share in the competitive economy. The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating their manufacturing processes that will promote efficiencies and innovation in our North Dakota companies to increase productivity and more importantly address the workforce challenges.

This bill also allows primary sector businesses to apply the income tax credit to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. Recognizing the tax credit is equal to 20 percent of the qualified automation equipment purchase and limited to \$2 million of aggregated tax credit per taxable year.

What are the additional benefits of the bill?

- Assists manufacturing companies to be competitive in the global market
- Tax Credit supports capital investment in automation which provides companies with the ability to supply current and new markets
- Automation supports manufacturers needs to continually improve quality control systems in their manufacturing processes
- Assists North Dakota companies to compete with companies all around the world that benefit from government support and lower wages. Provides the ability for North Dakota manufacturing companies to become more efficient and

11.2
2-9-15

increase their speed to markets which will provide them a competitive advantage.

- Companies increased automation helps address workforce needs in the competitive job market while providing a company the capacity to increase production with their existing manufacturing processes.
- Automation can result in a more highly-skilled, technical workforce, which can initiate higher-paying positions.

I encourage you to support SB 2340 which extends the automation Tax Credit program beyond the original legislation that provided for 3 taxable years starting in 2013 and the provision that would recognize a “purchase lease” for eligibility purposes that was not included in the earlier legislation. In addition it provides that tax credits for eligible investments would be prorated if there were more applications approved than program funding caps allow. Current law provides benefits on a first-come, first-served basis which restricts the business recruitment opportunities in a competitive market.

Submitted by: John Phillips, City of Beulah ED Director / EDND Past President



JOHN DEERE

Deere & Company
801 17th Street, NW, Suite 200
Washington, D.C. 20006 USA
Phone: 202-423-2271 Fax: 202-296-0011
Mobile : 202-997-9022
Email: llesThomasE@JohnDeere.com

#12
2-9-15

Thomas E. Iles
Director, State Public Affairs
Public Affairs Worldwide

Beijing	Brussels
Cary	Des Moines
Moline	Moscow
Olathe	Pune
Sao Paulo	Washington

SB 2340: North Dakota – Automation Tax Credit

Position: John Deere supports the enactment of SB 2340 during the 2015 North Dakota Legislative Session which would make permanent the income tax credit for purchases of manufacturing and equipment for the purpose of automating manufacturing processes.

Background: SB 2340 is currently under consideration in the Senate Finance and Taxation Committee. The current law was established back in 2013 with the Automation Tax Credit being available for manufacturers for the first three years beginning after December 31, 2012.

Position Rationale:

- **Enhanced North Dakota Economic Growth:** SB 2340 would encourage business to expand and locate to the state by decreasing the tax burden when capital investments are made to automate facilities.
- **Outsourcing:** The Automation Tax Credit provides a key incentive for manufacturers to produce in North Dakota and not outsource product development to other areas of the United States or the world.
- **North Dakota State's Budget:** SB 2340 contains an aggregate amount of tax credits to be capped by all claimants at no more than \$2 million per calendar year. This cap allows for sound budgeting principles for the state of North Dakota.
- **Tax Credit Protections:** The current refund process insures that only qualified automation equipment receives the credit.
- **Flexibility:** Management's automation and expansion decisions can be based upon the economy and their respective markets for products and services.

Summary: The enactment of SB 2340 would significantly enhance economic growth in the state, reduce the tax burden of growing businesses, reduce the state's outsourcing of manufacturing and permanently establish a proven, vital tax incentive for manufacturers to automate and improve their facilities.

Attachment: John Deere Presence in North Dakota

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John Deere Presence in North Dakota



JOHN DEERE

Deere & Company (NYSE: DE) is a world leader in providing advanced products and services and is committed to the success of customers whose work is linked to the land - those who cultivate, harvest, transform, enrich and build upon the land to meet the world's dramatically increasing need for food, fuel, shelter and infrastructure. Since 1837, John Deere has delivered innovative products of superior quality, built on a tradition of integrity. For more information, visit John Deere at its worldwide website at www.JohnDeere.com.

John Deere Quick Facts

Net Sales & Revenues	>\$36 billion*
Employees	>59,000*
• U.S. & Canada	>29,000
Facilities	
• States	18
• Countries	36
Research & Development - \$1.5 billion* (\$4.1 million/day)	
* Figures taken from Deere & Company Annual Report 2014	

Who We Are in North Dakota

- **Employees**
 - >950 work as part of John Deere's major business operations
 - >850 live in the state
 - >80 retirees
- **Suppliers & Dealers**
 - >130 contracts (approximately \$77 million)
 - 47 dealerships

Facility Locations

Fargo - John Deere Electronic Solutions— Electronics Design & Mfg.

Valley City - John Deere Seeding Group—Air Seeding Equipment



John Deere is a Power for Good



Deere & Company's corporate citizenship efforts continued making a meaningful impact in 2014 through support of citizenship activities, whose main focus includes solutions for world hunger, improved educational opportunities, and community development. John Deere employees also enriched their communities through extensive volunteer efforts which increased incomes and the standard of living for smallholder farmers in India and Sub-Saharan Africa. Deere also provided funding for programs focusing on science, technology, engineering and math (STEM) in communities in Brazil, India and the U.S. John Deere and the John Deere Foundation also made significant investments in our home communities worldwide to ensure their economic vibrancy for years to come. In all, our investments in 2014 improved the lives of more than 9.4 million people around the world.

Protecting the Environment

John Deere is committed to reducing our environmental footprint worldwide. The company has established the following enterprise eco-efficiency goals to be achieved by 2018. These goals are designed to encourage improved performance and innovation, as well as raise internal and public awareness of our environmental stewardship:



Reduce Greenhouse gas emissions and energy consumption per ton of production 15% from 2012 through 2018.



Reduce water consumption per ton of production 15% from 2012 through 2018.



Increase amount of enterprise waste recycled to 75% of total waste by 2018.



Use life cycle engineering to create products and services that meet customer needs and

Promoting Alternative Energy



John Deere supports utilization of biofuels as a method of increasing energy stability and independence, reducing greenhouse gas emissions, and generating agricultural and other rural economic opportunities throughout the world.

#13

February 9, 2015

Re: Support of SB 2340

Dear Chairman Cook;

Cloverdale, a Mandan, ND company is celebrating a 100 year anniversary throughout 2015. On behalf of our 275+ hardworking employees, please accept this letter as a show of support for SB 2340. Throughout our family's 4 generations of competing in the food business we have learned how to best compete with the giants of the industry. It will be forever be an 'arms race.' We will do our best at Cloverdale to keep it close.



The food industry and meat business that we compete in has many infrastructure advantages in other parts of the country. SB 2340, one of the financial tools to consider when assessing automation investments has been helpful.

As you are well aware, there are many companies throughout this great state investing in their businesses. SB 2340, what many of us consider the Automation Tax Credit, is an important part of the financial planning process for many businesses.

Please pass/continue SB 2340.

T.J. Russell | President/CEO



e: tjr@cloverdalefoods.com
p: 701.667.8515 c: 701.471.1074
w: CloverdaleFoods.com  



#14

Testimony In Support of SB 2340

Presented to the North Dakota State Senate Finance and Taxation Committee

Senator Cook, Chairman

Monday February 9, 2015

Presented by Peter Rackov CPA, Chief Financial Officer of Steffes Corporation, Dickinson, ND

Good morning, I am Peter Rackov, the CFO of Steffes Corporation. Steffes has been headquartered in Dickinson, North Dakota since it was founded more than 40 years ago. Steffes primarily manufacturers fabricated metal products in support of the oil exploration industry in North Dakota. We also manufacture component parts for heavy equipment manufacturers such as Doosan / Bobcat and Terex.

I am here in support of SB 2340 which proposes the extension of the Automation Tax Credit

We at Steffes are very fortunate and have been able to sell almost everything we could produce over the last few years. But, like most North Dakota employers, we experience significant challenges trying to find additional workers and can only grow by improving efficiency, automating or outsourcing our manufactured product.

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The automation tax credit is a significant consideration as we evaluate whether we should invest in process or simply outsource the manufacturing. In 2013, we invested several million dollars in new processes and equipment within North Dakota and received a little over \$200k in automation tax credits. I can't put a number on the precise amount of benefit from automation but as a result of automation, lean process improvement and other investments, we grew our revenue from ND sources by about \$30 million dollars in 2013. In 2014, we invested more than \$7million in facilities, equipment and processes in ND and generated an additional \$15M of sales. We anticipate another \$200k of automation tax credits to be issued for 2014.

Currently, we are planning to invest another \$5M to \$10M in 2015 with at least one third of the investment earmarked for automation (robotics). The automation tax credit is important to us as we consider how and where to make this investment. Ultimately, oil prices will determine the impact on 2015, but we believe that this investment will add an additional \$30m to our annual capacity by first quarter of 2016.

On a side note, during this time, we also outsourced roughly \$6 million of product... to a Minnesota company because we couldn't find a North Dakota company with capacity.

In summary, we value the automation tax credit. The tax credit helps Steffes and all North Dakota businesses remain competitive. The credit makes investing in North Dakota an easier choice. I encourage the committee to recommend approval for SB 2340.

Thank you for your time.

TESTIMONY

To the

North Dakota State Senate

Finance & Taxation Committee

Senator Dwight Cook, Chairman

Monday, February 9, 2015

I am Tony Richards, the CEO of Impact Dakota, formerly DakotaMEP, and I am providing testimony in support of SB 2340 relating to the Automation Tax Credit Extension.

Today's North Dakota manufacturers are under constant pressure to cut costs and operate more efficiently. With global competition and escalating operating costs, North Dakota manufacturers must explore every option for increasing profits while providing a safe and competitive product for the marketplace.

The impact of North Dakota manufactures is felt locally, nationally and globally and the Automation Tax Credit Extension is one critical tool that will allow our manufactures to remain competitive in technology, innovation and in attracting and maintaining higher-skilled technical positions.

On a state level, according to the US Bureau of Economic Analysis, in 2012 manufacturing provided:

- 6.6% of the total state output
- Employed 5.7% of the workforce or approximately 25,500 workers
- Produced over \$3 billion dollars per year
- Manufacturing accounted for 13.9% of all North Dakota jobs
- Small business manufacturing comprised 85.4% of North Dakota's 1731 exporters

Nationally and globally, according to the US Department of Commerce, in 2013, North Dakota trade statistics for manufacturing:

- Accounted for 63.3% of all ND exports
- Manufactured goods exports accounted for \$2.4 billion dollars
- Average more than \$715,000 in exports per manufacturer
- Accounted for 35% of total state exports
- 2009-2013 the national growth average in trade was 50.4% In North Dakota during this same time period, we averaged 58.5%

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North Dakota Manufacturers top five exporting markets include:

- Canada 70.4%
- Mexico 6.6%
- Australia 3.5%
- Belgium 3.1%
- Germany 1.7%
- Others 14.7%

The top 10 manufacturing sectors in North Dakota in 2011, according to the US Bureau of Economic Analysis were:

- Machinery \$733*
- Food/Beverage & Tobacco \$706
- Petroleum & Coal Products \$248
- Fabricated Metal \$157
- Nonmetallic Mineral \$123
- Wood \$116
- Motor Vehicle/Body/Trailer & Parts \$108
- Plastics & Rubber \$ 94
- Computer & Electronics \$ 91
- Chemical \$ 81

(* All dollars are in millions)

The economic impacts that North Dakota manufactures have on this state nationally and globally are significant and will continue to grow over the years. The Automation Tax Credit Extension is a critical "tool" that will allow all of our manufacturing base to remain competitive on all levels both today, and for years to come.

On behalf of Impact Dakota and the manufactures we proudly serve, I respectfully request that the Senate Finance and Taxation Committee support SB 2340.

Sincerely,

Tony Richards
Chief Operating Officer
Impact Dakota

Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
SB 2340
February 9, 2015

Mr. Chairman and members of the committee, my name is Jon Godfread. I am the Vice President of Government Affairs at the Greater North Dakota Chamber, the champions for business in North Dakota. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we support SB 2340.

The GNDC supports making permanent the income tax credit currently available for purchases of manufacturing and equipment for the purpose of automating manufacturing processes. North Dakota has a strong history of creating a positive business climate that has attracted and supported the growth of many businesses, including manufacturing companies. A strong pro-business regulatory and tax climate combined with a low cost structure, and a productive and hard-working population, has helped us attract and support growth in the manufacturing industry.

Today's globally competitive marketplace presents challenges to North Dakota manufacturers. Our traditional low cost model is no longer superior. North Dakota is now faced with international competitors whose labor costs are a fraction of those in the United States. In addition, North Dakota companies are faced with increasing costs for healthcare, energy and transportation, and consumers that demand increasing lower cost products. In order to keep their costs per unit low enough to compete, North Dakota's manufacturers will be forced to increase productivity while decreasing costs. The only way to achieve this will be through automation and lean manufacturing.

A large issue facing manufacturing companies in North Dakota is the availability of workforce, as mentioned we have a good business climate, but without workers it's tough to expand operations. With few unemployed seeking work, it is clear that we need to better utilize our existing workforce and focus on quality of jobs rather than quantity. We must do more with less, SB 2340 helps our manufacturers increase productivity and output by using machines and robots to replace and supplement human labor.

Also, with the piece of legislation that would put these very incentives under review periodically, we now that if this incentive is not operating the way it should be it will be up for review and again we as a business community will have to come and defend this incentive before this body to show its value. If the value isn't there it will then be removed. Removing the sunset provides predictability in making facility upgrades and provides management with the ability to plan expansion, while still being accountable to this body and the North Dakota tax payers.

Thank you for allowing me to testify, we would support a DO PASS recommendation on SB 2340. I would now be happy to attempt to answer any questions.

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Prepared for the
Senate Finance and
Taxation Committee
February 9, 2015

PROPOSED AMENDMENTS TO SENATE BILL NO. 2340

Page 1, line 13, overstrike “costs” and insert immediately thereafter “cost”

Page 1, line 14, overstrike “incurred in the taxable year to purchase” and insert immediately thereafter “of the”

Page 1, line 14, overstrike “for”

Page 1, line 15, overstrike “the purpose of automating manufacturing processes” and insert immediately thereafter “purchased in the taxable year”

Page 2, line 1, replace “acquisition through a lease-purchase agreement” with “manufacturing machinery and equipment acquired under a capital lease only for the taxable year in which the lease is executed. A capital lease is a lease which meets generally accepted accounting principles. The qualifying cost of the equipment acquired under a capital lease is the fair market value of the equipment at the inception of the lease”

Page 2, line 12, replace “any” with “a”

Page 3, line 12, replace “taxable years beginning after” with “purchases made after”

Renumber accordingly



Memorandum

To: Senator Dwight Cook
Chairman, Senate Finance and Taxation Committee
Members of the Senate Finance and Taxation Committee

From: Matt Peyerl

Date: February 9, 2015

Subject: SB 2340 – Income Tax Credit - Automation Equipment Purchases – Capital Lease

Below are the four criteria for determining whether a lease is a “capital” lease under generally accepted accounting principles. (The criteria are contained in Financial Accounting Standards Statement #13.) If any of the four criteria are met, the lease will qualify as a capital lease. For financial accounting purposes, the asset in a capital lease is treated as purchased and owned by the lessee.

1. The term of the lease is at least 75% of the asset’s useful life.
2. The lease agreement contains an option to purchase the asset for less than fair market value, which may be referred to as a “bargain purchase option”.
3. The lessee gains ownership at the end of the lease term.
4. The present value of all the lease payments is greater than 90% of the asset’s fair market value.

A lease that does not meet any of the four criteria would be classified as an “operating” lease, which is symbolic of a regular month-to-month “rent” payment.

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Prepared for the
Senate Finance and
Taxation Committee
February 9, 2015

PROPOSED AMENDMENTS TO SENATE BILL NO. 2340

Page 1, line 13, overstrike "costs" and insert immediately thereafter "cost"

Page 1, line 14, overstrike "incurred in the taxable year to purchase" and insert immediately thereafter "of the"

Page 1, line 14, overstrike "for"

Page 1, line 15, overstrike "the purpose of automating manufacturing processes" and insert immediately thereafter "purchased in the taxable year"

Page 2, line 1, replace "acquisition through a lease-purchase agreement" with "manufacturing machinery and equipment acquired under a capital lease only for the taxable year in which the lease is executed. A capital lease is a lease which meets generally accepted accounting principles. The qualifying cost of the equipment acquired under a capital lease is the fair market value of the equipment at the inception of the lease"

Page 2, line 12, replace "any" with "a"

Page 3, line 12, replace "taxable years beginning after" with "purchases made after"

Renumber accordingly

February 9, 2015

#2
2-10-15

PROPOSED AMENDMENTS TO SENATE BILL NO. 2340

Page 1, line 1, after "Act" insert "to create and enact a new subdivision to subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly, relating to regular evaluation of economic development tax incentives created by the sixty-fourth legislative assembly;"

Page 1, after line 4, insert:

"SECTION 1. A new subdivision to subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly, is created and enacted as follows:

Any economic development tax incentive created by the sixty-fourth legislative assembly."

Renumber accordingly

NORTH DAKOTA SENATE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Senator Tom Campbell

District 19
15135 County Road 11
Grafton, ND 58237-8802

Cell: 701-520-2727
tomcampbell@nd.gov

COMMITTEES:
Industry, Business and Labor
Transportation

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SB 2340
2-16-15

02/16/2015

Mr. Chairman and Senators;

Thank you for allowing me to present SB 2340. For the record I am Senator Tom Campbell from District 19. Have I got a solution to make you look good in helping to solve our 25,000 state wide shortage of workers!

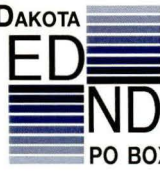
The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating manufacturing processes. This tax credit promotes efficiencies and innovation in our North Dakota companies, which helps manufacturers increase productivity and address workforce challenges to gain market share and maximize global competitiveness.

Available to primary sector businesses, the income tax credit can be applied to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The tax credit is equal to 20 percent of the qualified automation equipment purchase. The tax credit program is limited to \$2 million of aggregated tax credit per taxable year.

I have been actively looking for solutions to help solve our work force shortage with the Al Anderson Commerce Dept. and the Governor all summer long and feel this is one creative way.

Thank you,

Senator Tom Campbell



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#2-1
2-16-15

**Testimony of Dana Bohn, Executive Director
Economic Development Association of North Dakota
In Support of SB 2340
February 16, 2015**

Chairman Holmberg and members of the Senate Appropriations Committee, I'm Dana Bohn, executive director of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support for SB 2340, which would extend the income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of our economy.

Automation Tax Credit

This legislation originally came out of the 2009 Interim Workforce Committee and was approved for three taxable years beginning in 2013. It is set to sunset at the end of 2015, unless the sunset clause is removed or amended this session. The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session.

The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating manufacturing processes. This tax credit promotes efficiencies and innovation in our North Dakota companies, which helps manufacturers increase productivity and address workforce challenges to gain market share and maximize global competitiveness.

Available to primary sector businesses, the income tax credit can be applied to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The tax credit is equal to 20 percent of the qualified automation equipment purchase and is limited to \$2 million of aggregated tax credit per taxable year.

Increases Competitiveness

- For manufacturing companies to be competitive in a global market, they need to continue to automate and innovate. The tax credit supports capital investment in automation, which provides companies with the ability to supply current and new markets.
- Automation supports manufacturers' needs to continually improve quality control systems in their manufacturing processes.
- North Dakota companies have to compete with companies all around the world that benefit from government support and lower wages.
- The ability of North Dakota manufacturing companies to become more efficient and increase their speed to markets has become their competitive advantage. This helps ensure manufacturing is a viable industry in North Dakota.

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SB 2340

2/16/15

Addresses Workforce Needs

- North Dakota companies are struggling to find employees. Automation helps address workforce needs while providing a company the capacity to increase production within their existing manufacturing processes, thereby creating the opportunity to grow and serve new markets.
- Automation can result in more highly-skilled, technical workers in higher-paying positions, which leads to increased tax revenue.
- It can also lead to the need for higher-skilled technical positions to meet demands of new markets.

SB 2340 Details

- Removes the sunset clause.
- Adds a provision that would recognize a "purchase lease" for eligibility purposes. Current law does not allow for this relatively routine acquisition option.
- Provides that tax credits for eligible investments would be prorated if there were more applications approved than the program funding caps allow. Current law provides benefits on a first-come, first-served basis.

Ongoing Evaluation

Our organization supports a periodic review of the state's investment in business support programs to grow and diversify North Dakota's economy. SB 2057, which EDND supports, establishes an evaluation process for economic development tax incentives, which would also apply to the automation tax credit if the sunset is removed. A review process helps demonstrate to the public that these investment decisions are not taken lightly and confirms that the investments have a net gain to the state.

Attachments and Testimony

Attached to my testimony are letters of support from economic developers and companies that were presented to the Senate Finance and Taxation Committee at the hearing on SB 2340 last week. During that hearing, Jim Gartin, president of the Greater Fargo Moorhead Economic Development Corporation, said the lack of highly skilled and educated workers is limiting the ability of their companies to grow and compete. Therefore, this bill is one of the most important pieces of legislation affecting his region this session. "In the past lower labor rates and an abundance of workers were our area's major competitive advantage," he said. "No more!"

In addition, representatives from John Deere, Steffes Corporation, and Cloverdale Foods Company discussed the positive impacts of the automation tax credit on their businesses. Their testimony is attached and I will highlight a few key points in each.

Thank you for the opportunity to appear before you today to express our support for SB 2340. It enhances economic growth in the state, reduces the tax burden of growing businesses, reduces the state's outsourcing of manufacturing and permanently establishes a proven, vital tax incentive for manufacturers to automate and improve their facilities.

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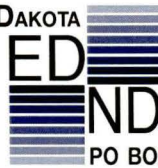
2-3
2/16/15

SB 2340 Support Testimony
Monday, February 9, 2015
Lewis and Clark Room
North Dakota State Capitol Building

1. Bill Sponsor, **Senator Campbell** (R) District 19, Grafton
2. Economic Development Association of North Dakota, **Keith Lund**, President
3. Greater Fargo Moorhead Economic Development Corporation, **Jim Gartin**, President
4. John Deere Electronic Solutions Inc, **Bryan Bossert**, Operations Manager
5. Cloverdale Foods Company, **T.J Russell**, CEO
6. Steffes Corporation, **Peter Rackov**, CFO
7. Dakota MEP, **Tony Richards**, CEO
8. Greater North Dakota Chamber, **Jon Godfread**, Vice President of Government Affairs

Written Testimony

1. Baker Boy, **Guy Moos**, President
2. Pivotal Edge Inc., **Jay Beyer**, Vice President
3. Killdeer Mountain Manufacturing, **Kristin Hedger**, Vice President
4. Swanson Health Products, **Douglas Anderson**, CFO
5. Peterson Farms Seed, **Carl Peterson**, President
6. Wahpeton Economic Development, **Jane Priebe**, Director
7. Northern Plains Electric Cooperative, **JoAnn Rodenbiker**, Director of Business
8. Williston Economic Development, **Shawn Wenko**, Executive Director
9. Beulah Economic Development/ Lutheran Social Services of North Dakota, **John Phillips**, Development Director



**Testimony of Keith Lund, President
Economic Development Association of North Dakota
In Support of SB 2340
February 9, 2015**

Chairman Cook and members of the Senate Finance and Taxation Committee, I'm Keith Lund, vice president of the Grand Forks Region Economic Development Corporation and president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support for SB 2340, which would extend the income tax credit for purchases of manufacturing and equipment for the purpose of automating manufacturing processes.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Automation Tax Credit

This legislation originally came out of the 2009 Interim Workforce Committee and was approved for three taxable years beginning in 2013. It is set to sunset at the end of 2015, unless the sunset clause is removed or amended this session. The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session.

The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating manufacturing processes. This tax credit promotes efficiencies and innovation in our North Dakota companies, which helps manufacturers increase productivity and address workforce challenges to gain market share and maximize global competitiveness.

Available to primary sector businesses, the income tax credit can be applied to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The tax credit is equal to 20 percent of the qualified automation equipment purchase and is limited to \$2 million of aggregated tax credit per taxable year.

Increases Competitiveness

- For manufacturing companies to be competitive in a global market, they need to continue to automate and innovate. The tax credit supports capital investment in automation, which provides companies with the ability to supply current and new markets.
- Automation supports manufacturers' needs to continually improve quality control systems in their manufacturing processes.
- North Dakota companies have to compete with companies all around the world that benefit from government support and lower wages.

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SB 2340
2/16/15

- The ability of North Dakota manufacturing companies to become more efficient and increase their speed to markets has become their competitive advantage. This helps ensure manufacturing is a viable industry in North Dakota.

Addresses Workforce Needs

- North Dakota companies are struggling to find employees. Automation helps address workforce needs while providing a company the capacity to increase production within their existing manufacturing processes, thereby creating the opportunity to grow and serve new markets.
- Automation can result in more highly-skilled, technical workers, in higher-paying positions, which leads to increased tax revenue.
- It can also lead to the need for higher-skilled technical positions to meet demands of new markets.

SB 2340 Details

- Removes the sunset clause.
- Adds a provision that would recognize a "purchase lease" for eligibility purposes. Current law does not allow for this relatively routine acquisition option.
- Provides that tax credits for eligible investments would be prorated if there were more applications approved than program funding caps allow. Current law provides benefits on a first-come, first-served basis.

Ongoing Evaluation

Our organization supports a periodic review of state's investment in business support programs to grow and diversify North Dakota's economy these investments. SB 2057, which EDND supports, establishes an evaluation process for economic development tax incentives, which would also apply to the automation tax credit if the sunset is removed. A review process helps demonstrate to the public that these investment decisions are not taken lightly, and confirm that the investments have a net gain to the state.

Attachments and Testimony

Attached to my testimony are letters of support from economic developers and North Dakota companies. We also have an Jim Gartin, President of the Greater Fargo Moorhead Economic Development Corporation with us today and representatives from John Deere, Steffes Corporation and Cloverdale Foods Company to share how things program impacts them.

Thank you for the opportunity to appear before you today to express our support for SB 2340. It enhances economic growth in the state, reduces the tax burden of growing businesses, reduces the state's outsourcing of manufacturing and permanently establishes a proven, vital tax incentive for manufacturers to automate and improve their facilities.

Testimony to the North Dakota Senate
Finance and Taxation Committee
Chairman Dwight Cook
February 9, 2015

RE: Automation tax credit

Please accept this letter as strong support from both the Greater Fargo Moorhead Economic Development Corporation (GFMEDC) and the Valley Prosperity Partnership (VPP) in regards to the Automation Tax Credit.

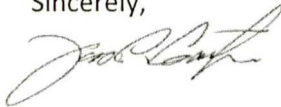
As president of the GFMEDC and a member of the VPP Steering and Executive Committee, the extension of the Automation Tax Credit is a critically important piece of legislation for the Fargo Moorhead area, the Red River Valley region and the state.

In our region and across the state, the lack of highly skilled and educated workers is limiting companies' abilities to grow and compete. Companies have been forced to move production lines to out of state locations. In the past, lower labor rates and an abundance of workers gave our region a competitive advantage. That is no longer the case. Our region faces significant challenges in attracting manufacturing workforce to ND.

In a relocation study by Praxis Strategy Group for the VPP, technical and manufacturing employees are the least likely group to relocate to another state in all categories and age groups. At the 2015 International Economic Development Corporation conference, the lack of workforce was the number one issue cited from every economic development organization in every state in the United States.

The legislation will allow us to strengthen our manufacturing and technology sectors to offset our dependence on the oil and agricultural industries. I thank you for your time and effort on this and urge you to support this legislation.

Sincerely,



James P. Gartin
President GFMEDC

SB 2340
2/16/15



JOHN DEERE

Deere & Company
801 17th Street, NW, Suite 200
Washington, D.C. 20006 USA
Phone: 202-423-2271 Fax: 202-296-0011
Mobile : 202-997-9022
Email: llesThomasE@JohnDeere.com

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2/16/15

Thomas E. Iles
Director, State Public Affairs
Public Affairs Worldwide

Beijing	Brussels
Cary	Des Moines
Moline	Moscow
Olathe	Pune
Sao Paulo	Washington



SB 2340: North Dakota - Automation Tax Credit

Position: John Deere supports the enactment of SB 2340 during the 2015 North Dakota Legislative Session which would make permanent the income tax credit for purchases of manufacturing and equipment for the purpose of automating manufacturing processes.

Background: SB 2340 is currently under consideration in the Senate Finance and Taxation Committee. The current law was established back in 2013 with the Automation Tax Credit being available for manufacturers for the first three years beginning after December 31, 2012.

Position Rationale:

- **Enhanced North Dakota Economic Growth:** SB 2340 would encourage business to expand and locate to the state by decreasing the tax burden when capital investments are made to automate facilities.
- **Outsourcing:** The Automation Tax Credit provides a key incentive for manufacturers to produce in North Dakota and not outsource product development to other areas of the United States or the world.
- **North Dakota State's Budget:** SB 2340 contains an aggregate amount of tax credits to be capped by all claimants at no more than \$2 million per calendar year. This cap allows for sound budgeting principles for the state of North Dakota.
- **Tax Credit Protections:** The current refund process insures that only qualified automation equipment receives the credit.
- **Flexibility:** Management's automation and expansion decisions can be based upon the economy and their respective markets for products and services.

Summary: The enactment of SB 2340 would significantly enhance economic growth in the state, reduce the tax burden of growing businesses, reduce the state's outsourcing of manufacturing and permanently establish a proven, vital tax incentive for manufacturers to automate and improve their facilities.

Attachment: John Deere Presence in North Dakota

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JOHN DEERE

John Deere Presence in North Dakota

Deere & Company (NYSE: DE) is a world leader in providing advanced products and services and is committed to the success of customers whose work is linked to the land - those who cultivate, harvest, transform, enrich and build upon the land to meet the world's dramatically increasing need for food, fuel, shelter and infrastructure. Since 1837, John Deere has delivered innovative products of superior quality, built on a tradition of integrity. For more information, visit John Deere at its worldwide website at www.JohnDeere.com.

John Deere Quick Facts

Net Sales & Revenues	>\$36 billion*
Employees	>59,000*
• U.S. & Canada	>29,000
Facilities	
• States	18
• Countries	36
Research & Development	- \$1.5 billion* (\$4.1 million/day)
<small>* Figures taken from Deere & Company Annual Report 2014</small>	

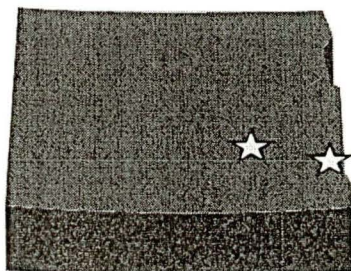
Who We Are in North Dakota

- **Employees**
 - >950 work as part of John Deere's major business operations
 - >850 live in the state
 - >80 retirees
- **Suppliers & Dealers**
 - >130 contracts (approximately \$77 million)
 - 47 dealerships

Facility Locations

Fargo - John Deere Electronic Solutions— Electronics Design & Mfg.

Valley City - John Deere Seeding Group—Air Seeding Equipment



John Deere is a Power for Good



Deere & Company's corporate citizenship efforts continued making a meaningful impact in 2014 through support of citizenship activities, whose main focus includes solutions for world hunger, improved educational opportunities, and community development. John Deere employees also enriched their communities through extensive volunteer efforts which increased incomes and the standard of living for smallholder farmers in India and Sub-Saharan Africa. Deere also provided funding for programs focusing on science, technology, engineering and math (STEM) in communities in Brazil, India and the U.S. John Deere and the John Deere Foundation also made significant investments in our home communities worldwide to ensure their economic vibrancy for years to come. In all, our investments in 2014 improved the lives of more than 9.4 million people around the world.

Protecting the Environment

John Deere is committed to reducing our environmental footprint worldwide. The company has established the following enterprise eco-efficiency goals to be achieved by 2018. These goals are designed to encourage improved performance and innovation, as well as raise internal and public awareness of our environmental stewardship:



Reduce Greenhouse gas emissions and energy consumption per ton of production 15% from 2012 through 2018.



Reduce water consumption per ton of production 15% from 2012 through 2018.



Increase amount of enterprise waste recycled to 75% of total waste by 2018.



Use life cycle engineering to create products and services that meet customer needs and

Promoting Alternative Energy



John Deere supports utilization of biofuels as a method of increasing energy stability and independence, reducing greenhouse gas emissions, and generating agricultural and other rural economic opportunities throughout the world.

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February 9, 2015

Re: Support of SB 2340

Dear Chairman Cook;

Cloverdale, a Mandan, ND company is celebrating a 100 year anniversary throughout 2015. On behalf of our 275+ hardworking employees, please accept this letter as a show of support for SB 2340.

Throughout our family's 4 generations of competing in the food business we have learned how to best compete with the giants of the industry. It will be forever be an 'arms race.' We will do our best at Cloverdale to keep it close.



The food industry and meat business that we compete in has many infrastructure advantages in other parts of the country. SB 2340, one of the financial tools to consider when assessing automation investments has been helpful.

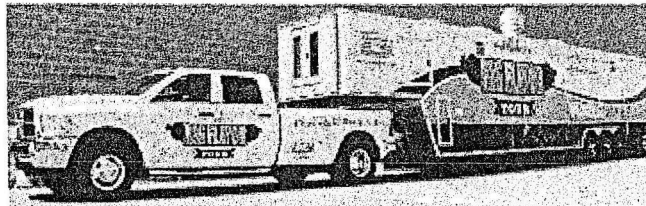
As you are well aware, there are many companies throughout this great state investing in their businesses. SB 2340, what many of us consider the Automation Tax Credit, is an important part of the financial planning process for many businesses.

Please pass/continue SB 2340.

T.J. Russell | President/CEO



e: tjr@cloverdalefoods.com
p: 701.667.8515 c: 701.471.1074
w: CloverdaleFoods.com  



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2/16/15

Testimony In Support of SB 2340

Presented to the North Dakota State Senate Finance and Taxation Committee

Senator Cook, Chairman

Monday February 9, 2015

Presented by Peter Rackov CPA, Chief Financial Officer of Steffes Corporation, Dickinson, ND

Good morning, I am Peter Rackov, the CFO of Steffes Corporation. Steffes has been headquartered in Dickinson, North Dakota since it was founded more than 40 years ago. Steffes primarily manufactures fabricated metal products in support of the oil exploration industry in North Dakota. We also manufacture component parts for heavy equipment manufacturers such as Doosan / Bobcat and Terex.

I am here in support of SB 2340 which proposes the extension of the Automation Tax Credit

We at Steffes are very fortunate and have been able to sell almost everything we could produce over the last few years. But, like most North Dakota employers, we experience significant challenges trying to find additional workers and can only grow by improving efficiency, automating or outsourcing our manufactured product.

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The automation tax credit is a significant consideration as we evaluate whether we should invest in process or simply outsource the manufacturing. In 2013, we invested several million dollars in new processes and equipment within North Dakota and received a little over \$200k in automation tax credits. I can't put a number on the precise amount of benefit from automation but as a result of automation, lean process improvement and other investments, we grew our revenue from ND sources by about \$30 million dollars in 2013. In 2014, we invested more than \$7million in facilities, equipment and processes in ND and generated an additional \$15M of sales. We anticipate another \$200k of automation tax credits to be issued for 2014.

Currently, we are planning to invest another \$5M to \$10M in 2015 with at least one third of the investment earmarked for automation (robotics). The automation tax credit is important to us as we consider how and where to make this investment. Ultimately, oil prices will determine the impact on 2015, but we believe that this investment will add an additional \$30m to our annual capacity by first quarter of 2016.

On a side note, during this time, we also outsourced roughly \$6 million of product... to a Minnesota company because we couldn't find a North Dakota company with capacity.

In summary, we value the automation tax credit. The tax credit helps Steffes and all North Dakota businesses remain competitive. The credit makes investing in North Dakota an easier choice. I encourage the committee to recommend approval for SB 2340.

Thank you for your time.

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SB 2340

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2/9/2015
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2/16/15

TESTIMONY

To the

North Dakota State Senate

Finance & Taxation Committee

Senator Dwight Cook, Chairman

Monday, February 9, 2015

I am Tony Richards, the CEO of Impact Dakota, formerly DakotaMEP, and I am providing testimony in support of SB 2340 relating to the Automation Tax Credit Extension.

Today's North Dakota manufacturers are under constant pressure to cut costs and operate more efficiently. With global competition and escalating operating costs, North Dakota manufacturers must explore every option for increasing profits while providing a safe and competitive product for the marketplace.

The impact of North Dakota manufactures is felt locally, nationally and globally and the Automation Tax Credit Extension is one critical tool that will allow our manufactures to remain competitive in technology, innovation and in attracting and maintaining higher-skilled technical positions.

On a state level, according to the US Bureau of Economic Analysis, in 2012 manufacturing provided:

- 6.6% of the total state output
- Employed 5.7% of the workforce or approximately 25,500 workers
- Produced over \$3 billion dollars per year
- Manufacturing accounted for 13.9% of all North Dakota jobs
- Small business manufacturing comprised 85.4% of North Dakota's 1731 exporters

Nationally and globally, according to the US Department of Commerce, in 2013, North Dakota trade statistics for manufacturing:

- Accounted for 63.3% of all ND exports
- Manufactured goods exports accounted for \$2.4 billion dollars
- Average more than \$715,000 in exports per manufacturer
- Accounted for 35% of total state exports
- 2009-2013 the national growth average in trade was 50.4% In North Dakota during this same time period, we averaged 58.5%

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North Dakota Manufacturers top five exporting markets include:

- Canada 70.4%
- Mexico 6.6%
- Australia 3.5%
- Belgium 3.1%
- Germany 1.7%
- Others 14.7%

The top 10 manufacturing sectors in North Dakota in 2011, according to the US Bureau of Economic Analysis were:

- Machinery \$733*
- Food/Beverage & Tobacco \$706
- Petroleum & Coal Products \$248
- Fabricated Metal \$157
- Nonmetallic Mineral \$123
- Wood \$116
- Motor Vehicle/Body/Trailer & Parts \$108
- Plastics & Rubber \$ 94
- Computer & Electronics \$ 91
- Chemical \$ 81

(* All dollars are in millions)

The economic impacts that North Dakota manufactures have on this state nationally and globally are significant and will continue to grow over the years. The Automation Tax Credit Extension is a critical "tool" that will allow all of our manufacturing base to remain competitive on all levels both today, and for years to come.

On behalf of Impact Dakota and the manufactures we proudly serve, I respectfully request that the Senate Finance and Taxation Committee support SB 2340.

Sincerely,

Tony Richards
Chief Operating Officer
Impact Dakota

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Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
SB 2340
February 9, 2015

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2/16/15

Mr. Chairman and members of the committee, my name is Jon Godfread. I am the Vice President of Government Affairs at the Greater North Dakota Chamber, the champions for business in North Dakota. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we support SB 2340.

The GNDC supports making permanent the income tax credit currently available for purchases of manufacturing and equipment for the purpose of automating manufacturing processes. North Dakota has a strong history of creating a positive business climate that has attracted and supported the growth of many businesses, including manufacturing companies. A strong pro-business regulatory and tax climate combined with a low cost structure, and a productive and hard-working population, has helped us attract and support growth in the manufacturing industry.

Today's globally competitive marketplace presents challenges to North Dakota manufacturers. Our traditional low cost model is no longer superior. North Dakota is now faced with international competitors whose labor costs are a fraction of those in the United States. In addition, North Dakota companies are faced with increasing costs for healthcare, energy and transportation, and consumers that demand increasing lower cost products. In order to keep their costs per unit low enough to compete, North Dakota's manufacturers will be forced to increase productivity while decreasing costs. The only way to achieve this will be through automation and lean manufacturing.

A large issue facing manufacturing companies in North Dakota is the availability of workforce, as mentioned we have a good business climate, but without workers it's tough to expand operations. With few unemployed seeking work, it is clear that we need to better utilize our existing workforce and focus on quality of jobs rather than quantity. We must do more with less, SB 2340 helps our manufacturers increase productivity and output by using machines and robots to replace and supplement human labor.

Also, with the piece of legislation that would put these very incentives under review periodically, we now that if this incentive is not operating the way it should be it will be up for review and again we as a business community will have to come and defend this incentive before this body to show its value. If the value isn't there it will then be removed. Removing the sunset provides predictability in making facility upgrades and provides management with the ability to plan expansion, while still being accountable to this body and the North Dakota tax payers.

Thank you for allowing me to testify, we would support a DO PASS recommendation on SB 2340. I would now be happy to attempt to answer any questions.

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2/16/15



February 6, 2015

Re: Support of SB 2340

Dear Chairman Cook;

I am writing to you to support SB 2340, which provides tax credit for companies in North Dakota that invest in automation.

Baker Boy is located in Dickinson. We have 225 hardworking, quality conscious employees. Our plant occupies 146,000 sq.ft. and employes a good amount of automations equipment. That said, we compete with multi-national companies like General Mills with a great deal more automation and the benefit cost structure that goes along with that.

While years ago, the degree of automation we have, along with the wages we were paying allowed us to compete, energy development has changed all this. Our starting wage had risen to \$17.50/hour. We compete with many food manufacturers, located in other part of the country that are paying \$10.00/ hour or less.

These factors have along with the inability to obtain an adequate workforce, at even these higher rates, have prompted us to invest in more automation. This fiscal year (April – March 2015) year alone, we have installed:

- Robotic Tray handing system - \$550,000.00
- New Donut Fry System - \$700,000.00

Next year, we are considering a Robotic Palletizer with a Laser Guided Vehicle, which will place the finished products automatically in our Storage Freezer.

I share this with you because the Automation Tax Credit is a big factor when weighing our ROI. You should also know that it is this type of Automation, coupled with effective training, allows us to pay our employees an even higher wage. Operators of this type of automation

bakerboy.com

170 GTA Drive Dickinson, North Dakota 58501 > 701 225 4444 > 800 437 2008

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equipment are paid \$20.00 - \$24.00/hour. This allows us to create better jobs and yet compete. It also encourages us to invest in North Dakota, rather than locate a 2nd plant elsewhere, where workforce is ample and less costly.

In closing, I would urge a "Do Pass" on SB 2340. Please feel free to contact myself with any questions you or your committee members may have.

Sincerely,

Guy M. Moos,
President

2.16



SB 2340
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2/16/15

February 6, 2015

PIVOTAL EDGE Inc.

Physical Location

4503 19th St. SE
Mandan, North Dakota 58557
USA.

Mailing Address

P.O. Box 2636
Bismarck, North Dakota 58502
USA

BACKGROUND

Pivotal Edge is a privately owned North Dakota company that builds a cover for pneumatic tanks. The cover is a replacement for the manual cover currently used and allows the driver to operate the cover from the safety of the ground and provide a more efficient operation for the trucking industry. The trailers would haul dry products such as: Cement, Fly Ash, Frac sand, flower, charcoal, plastic pellets any many other products around the world. We currently have two employees.

Our manufacturing plant is located in Mandan, ND where we have been located for the past five years. We have approximately 50% of our sales outside of North America, and our sales volume is growing at 35% a year.

AUTOMATION TAX CREDIT IMPACT

Pivotal Edge, Inc. has international relationships that would make it easy for us to locate in any country, or state. North Dakota has been both active and progressive in building business incentives, the automation tax credit is another tool used by business for the key economic growth that the State is looking for. The help that automation tax credit gives us is to keep us competitive in the global market place. We currently out-source some of our machining operations. The automation tax credit has been calculated into our business plan to determine at what point we are able to bring this work in house.

Pivotal Edge has used the tax credit on two pieces of equipment this has increased our production by making our process safer and more efficient.

The automation tax credit is available to small or large business making it a create tool for the manufacturing base in North Dakota.

I would request that you give your favorable consideration for SB 2340.

Jay Beyer
Vice-President

2.17

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2/16/15

Dear Members of the Senate Finance and Taxation Committee,

I am writing in support of SB2340 to prevent the sunset of a program which is extremely valuable to our North Dakota manufacturing community: the Automation Tax Credit.

Killdeer Mountain Manufacturing (KMM) is a Tier 1 electronic subassembly supplier in the aerospace community. Our company supplies to customers such as Boeing, Lockheed Martin, Raytheon and others in the elite aerospace global supply chain. We provide just over 330 jobs in four factories across southwestern North Dakota and we are well-positioned for growth.

KMM has utilized this tax credit to help our business capture new work opportunities and offset significant portions of costs associated with opening new lines of production. KMM is a dynamic company with an engrained culture of continuous improvement. Automated equipment is critical to our vision of ever-moving forward in producing new technological solutions for the American warfighter and for advancing the state of the art in aerospace in general.

We remain committed to our employees and are continuously identifying ways in which we can increase the quality of life in our work place, and find ways to increase wages. Automated equipment has enabled us to maximize on newfound efficiencies that help us to save dollars in our production; those dollars can then be passed on to our workforce.

KMM has also benefited from the expanded capacities that result from automated equipment. This has enabled us to take on even greater levels of work and increased sales. These gains are also passed on in the way of opportunities for upward mobility for our workforce.

KMM has also worked very closely with our higher education community. Our customers value our close working relationship with engineering and aerospace schools.

It is our hope that you will support this legislation. The Automation Tax Credit has proven to be a well-reasoned, conservative, yet pro-business policy that provides a great return on investment for our region.

Best regards,
Kristin Hedger
Vice President
Killdeer Mountain Manufacturing

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2/16/15

January 29, 2015

Chairman Cook
Senate Finance and Taxation Committee
Bismarck, ND

Dear Chairman Cook,

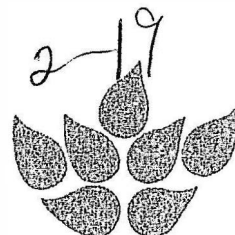
Swanson Health Products received a North Dakota tax credit of \$121,645 for the purchase of \$608,225 in automation equipment purchases. We purchased a robotic mini load for handling our inventory, which consists of 20,000 SKU's. The new equipment greatly increased our speed and efficiency in handling this many SKU's.

We urge you to extend the Automation Tax Credit. It significantly aided the affordability of the equipment.

Sincerely,

Douglas Anderson
CFO, Swanson Health Products
701.356.2830
doug.anderson@swansonhealth.com

Swanson Health Products
4075 40 Avenue SW | Fargo, ND 58104
701.356.2700



2340
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2/16/15



Peterson
Farms Seed

3104 164th Ave SE
Harwood, ND 58042

701-282-7476

866-481-7333

Fax 701-282-7554

www.petersonfarmsseed.com

Chairman Dwight Cook
North Dakota Senate Finance and Taxation Committee
January 29, 2015

Dear Chairman Cook and committee members:

I am writing today in support of the Automation Tax Credit reauthorization.

Our little North Dakota company processes soybean seed for planting—largely by North Dakota farmers. Our raw product is also largely produced by North Dakota farmers. Our primary competitors are large out of state companies with capital resources many times what we can muster.

Nonetheless, as seed processing technology continues to rapidly evolve, to remain competitive, we must continually improve our processes.

We are currently working on a very significant plant expansion with automated process that will help improve both quality and efficiency. Access to the Automation Tax Credit is crucial to helping us afford this large project.

There are many North Dakota companies in the same situation. Therefore, we strongly urge reauthorization of this vital economic development tool.

Thank you for your consideration.

Sincerely,

Carl Peterson, President
Peterson Farms Seed

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2/16/15

TESTIMONY
to the
North Dakota State Senate
Finance & Taxation Committee
Senator Dwight Cook, Chairman
Monday, February 9, 2015

RE: SUPPORT FOR SB 2340 relating to extending the Automation Tax Credit

PRESENTED BY: Jane P. Priebe, CEcD, Director, Wahpeton Economic Development

It is well known that many of our companies struggle to find people to fill technically skilled positions that keep a business competitive. Automation is the next best thing to addressing this issue and the tax credit supports capital investment in automation. This tax credit on automation equipment purchases will sunset in 2015 unless SB 2340 is passed. The bill removes the sunset clause, adds a "purchase lease" provision in the eligibility requirements, and allows more applications for the tax credit on a prorated basis.

Wahpeton's WCCO Belting is just one of many manufacturers in the state that understand automating manufacturing processes which can also lead to the need for higher-skilled technical positions. Our companies need to be competitive in this global market and need continue to innovate, improve, and become more efficient.

The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session. Wahpeton Economic Development is a member of EDND and we also **SUPPORT SB 2340.**

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Cando Office
PO Box 608 • 609 Fourth Avenue
Cando, ND 58324 0608
PHONE: 701/968-3314
FAX 701/968-1747

NORTHERN PLAINS *Electric Cooperative*

Carrington Office
PO Box 180 • 1515 West Main
Carrington, ND 58421-0180
PHONE: 701/652-3156
FAX: 701/652-1854

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2/16/15

Your Touchstone Energy® Cooperative
1-800-882-2500 E-Mail: justask@nplains.com
Web: <http://www.nplains.com>



February 5, 2015

Senator Dwight Cook, Chairman
Senate Finance and Taxation Committee

Dear Senator Cook and Committee Members:

Thank you for accepting this written testimony in support of SB2340. My name is JoAnn Rodenbiker, director of business development for Northern Plains Electric Cooperative. As a member of the Economic Development Association of North Dakota, I am providing my support for extension of the Automation Tax Credit.

EDND is the voice of the state's economic development community and views business incentives as investments that are targeted at the state and local level to encourage capital investment, property tax base expansion, job creation and retention, increased economic activity, diversification, and community development.

Automation helps ensure manufacturing continues to be a viable industry in North Dakota by helping North Dakota companies become more efficient and provide speed to market, a competitive advantage. SB2340, through the tax credit, helps address workforce needs at a time when many companies are struggling to find employees and automation can result in more highly-skilled workers, in higher paying positions.

The extension of the Automation Tax Credit promotes innovation in our companies, increasing productivity and addressing workforce challenges, while allowing those companies to continue to gain market share. I encourage a DO PASS on SB2340.

Thank you.

Sincerely,

JoAnn Rodenbiker
Director of Business Development

"the power of human connections"

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2/16/15

February 5, 2015

Mr. Dwight Cook Chairman,
Senate Finance and Taxation Committee
600 E. Boulevard Avenue
Bismarck, North Dakota 58505

RE: (SB 2340) The Automation Tax Credit Extension

Dear Chairman Cook and Members of the Committee,

I am writing on behalf of the Williston Economic Development office to express our full support of Senate Bill 2340.

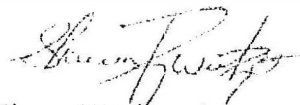
In Williston, the oil and gas operators in the Williston Basin face a higher break-even crude price due to higher costs and inefficiencies in the Bakken supply chain. On the other hand, we have regional manufacturers and logistics companies that can serve the oil and gas industry in a way that reduces costs and turn-around times as this market begins to mature.

To address this we have launched "The Bakken Supply Chain Initiative" aiming to reduce costs and increase efficiencies for Bakken operators, while expanding manufacturing and logistics business development in the Bakken region.

Therefore, our success within this initiative is dependent on the regional manufacturing base remaining competitive in the global market with the need to continue to automate and innovate. The automation tax credit extension helps ensure manufacturing remains a viable industry in North Dakota.

On behalf of the Williston Economic Development office I respectfully request that the Senate Finance and Taxation Committee support SB 2340.

Best Regards,



Shawn Wenko
Executive Director
Williston Economic Development

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Testimony re: SB 2340

Senate Finance and Tax Committee

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2/16/15

Chairman Cook and Members of the Committee

My name is John Phillips and I am past president of Economic Development North Dakota and have been the Economic Development Director in Beulah, North Dakota for 27 years. I am submitting written testimony to testify in favor of removing the sunset clause from the Automation Tax Credit incentive.

You are all aware of how competitive it is to recruit business and industry to the state and the ability to gain a market share in the competitive economy. The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating their manufacturing processes that will promote efficiencies and innovation in our North Dakota companies to increase productivity and more importantly address the workforce challenges.

This bill also allows primary sector businesses to apply the income tax credit to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. Recognizing the tax credit is equal to 20 percent of the qualified automation equipment purchase and limited to \$2 million of aggregated tax credit per taxable year.

What are the additional benefits of the bill?

- Assists manufacturing companies to be competitive in the global market
- Tax Credit supports capital investment in automation which provides companies with the ability to supply current and new markets
- Automation supports manufacturers needs to continually improve quality control systems in their manufacturing processes
- Assists North Dakota companies to compete with companies all around the world that benefit from government support and lower wages. Provides the ability for North Dakota manufacturing companies to become more efficient and

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increase their speed to markets which will provide them a competitive advantage.

- Companies increased automation helps address workforce needs in the competitive job market while providing a company the capacity to increase production with their existing manufacturing processes.
- Automation can result in a more highly-skilled, technical workforce, which can initiate higher-paying positions.

I encourage you to support SB 2340 which extends the automation Tax Credit program beyond the original legislation that provided for 3 taxable years starting in 2013 and the provision that would recognize a "purchase lease" for eligibility purposes that was not included in the earlier legislation. In addition it provides that tax credits for eligible investments would be prorated if there were more applications approved than program funding caps allow. Current law provides benefits on a first-come, first-served basis which restricts the business recruitment opportunities in a competitive market.

Submitted by: John Phillips, City of Beulah ED Director / EDND Past President

2-25

Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
SB 2340
February 16, 2015

#31
2-16-15

Mr. Chairman and members of the committee, my name is Jon Godfread. I am the Vice President of Government Affairs at the Greater North Dakota Chamber, the champions for business in North Dakota. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we support SB 2340.

The GNDC supports making permanent the income tax credit currently available for purchases of manufacturing and equipment for the purpose of automating manufacturing processes. North Dakota has a strong history of creating a positive business climate that has attracted and supported the growth of many businesses, including manufacturing companies. A strong pro-business regulatory and tax climate combined with a low cost structure, and a productive and hard-working population, has helped us attract and support growth in the manufacturing industry.

Today's globally competitive marketplace presents challenges to North Dakota manufacturers. Our traditional low cost model is no longer superior. North Dakota is now faced with international competitors whose labor costs are a fraction of those in the United States. In addition, North Dakota companies are faced with increasing costs for healthcare, energy and transportation, and consumers that demand increasing lower cost products. In order to keep their costs per unit low enough to compete, North Dakota's manufacturers will be forced to increase productivity while decreasing costs. The only way to achieve this will be through automation and lean manufacturing.

A large issue facing manufacturing companies in North Dakota is the availability of workforce, as mentioned we have a good business climate, but without workers it's tough to expand operations. With few unemployed seeking work, it is clear that we need to better utilize our existing workforce and focus on quality of jobs rather than quantity. We must do more with less, SB 2340 helps our manufacturers increase productivity and output by using machines and robots to replace and supplement human labor.

Also, with the piece of legislation that would put these very incentives under review periodically, we now that if this incentive is not operating the way it should be it will be up for review and again we as a business community will have to come and defend this incentive before this body to show its value. If the value isn't there it will then be removed. Removing the sunset provides predictability in making facility upgrades and provides management with the ability to plan expansion, while still being accountable to this body and the North Dakota tax payers.

Thank you for allowing me to testify, we would support a DO PASS recommendation on SB 2340. I would now be happy to attempt to answer any questions.

SB 2340

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2-16-15

TESTIMONY
To the
North Dakota State Senate
Senate Appropriations Committee
Senator Ray Holmberg, Chairman
Monday, February 16, 2015

I am DeAnn Berg, the Business Support Director of Impact Dakota, formerly DakotaMEP, and I am providing testimony in support of SB 2340 relating to the Automation Tax Credit Extension.

Today's North Dakota manufacturers are under constant pressure to cut costs and operate more efficiently. With global competition and escalating operating costs, North Dakota manufacturers must explore every option for increasing profits while providing a safe and competitive product for the marketplace.

The impact of North Dakota manufacturers is felt locally, nationally and globally and the Automation Tax Credit Extension is one critical tool that will allow our manufactures to remain competitive in technology, innovation and in attracting and maintaining higher-skilled technical positions.

On a state level, according to the US Bureau of Economic Analysis, in 2012 manufacturing provided:

- 6.6% of the total state output
- Employed 5.7% of the workforce or approximately 25,500 workers
- Produced over \$3 billion dollars per year
- Manufacturing accounted for 13.9% of all North Dakota jobs
- Small business manufacturing comprised 85.4% of North Dakota's 1731 exporters

Nationally and globally, according to the US Department of Commerce, in 2013, North Dakota trade statistics for manufacturing:

- Accounted for 63.3% of all ND exports
- Manufactured goods exports accounted for \$2.4 billion dollars
- Average more than \$715,000 in exports per manufacturer
- Accounted for 35% of total state exports
- 2009-2013 the national growth average in trade was 50.4%. In North Dakota during this same time period, we averaged 58.5%

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2-16-15
SB 2340

North Dakota Manufacturers top five exporting markets include:

- Canada 70.4%
- Mexico 6.6%
- Australia 3.5%
- Belgium 3.1%
- Germany 1.7%
- Others 14.7%

The top 10 manufacturing sectors in North Dakota in 2011, according to the US Bureau of Economic Analysis were:

- Machinery \$733*
- Food/Beverage & Tobacco \$706
- Petroleum & Coal Products \$248
- Fabricated Metal \$157
- Nonmetallic Mineral \$123
- Wood \$116
- Motor Vehicle/Body/Trailer & Parts \$108
- Plastics & Rubber \$ 94
- Computer & Electronics \$ 91
- Chemical \$ 81

(* All dollars are in millions)

The economic impacts that North Dakota manufacturers have on this state nationally and globally are significant and will continue to grow over the years. The Automation Tax Credit Extension is a critical "tool" that will allow all of our manufacturing base to remain competitive on all levels both today, and for years to come.

On behalf of Impact Dakota and the manufacturers we proudly serve, I respectfully request that the Senate Appropriations Committee support SB 2340.

Sincerely,

DeAnn Berg
Business Support Director
Impact Dakota

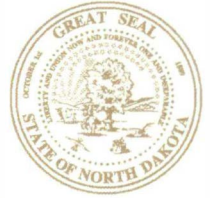
NORTH DAKOTA SENATE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360

SB2340

3-17-15

1 p.1/1



Senator Tom Campbell

District 19
15135 County Road 11
Grafton, ND 58237-8802

Cell: 701-520-2727
tomcampbell@nd.gov

COMMITTEES:

Industry, Business and Labor
Transportation

March 17, 2015

Chairman Headland and committee members:

Thank you for allowing me to present SB 2340. For the record I am Senator Tom Campbell from District 19. I may have a partial solution to make you look good in helping to solve our 25,000 state wide shortage of workers!

The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating manufacturing processes. This tax credit promotes efficiencies and innovation in our North Dakota companies, which helps manufacturers increase productivity and address workforce challenges to gain market share and maximize global competitiveness.

Available to primary sector businesses, the income tax credit can be applied to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The tax credit is equal to 20 percent of the qualified automation equipment purchase. The tax credit program is limited to \$2 million of aggregated tax credit per taxable year.

I have been actively looking for solutions to help solve our work force shortage with AI Anderson Commerce Dept. and the Governor all summer long and feel this is one creative way. This is an existing program that has had great success. Rest assured, I don't believe this bill would ever successfully replace Representative Trottier's position with a robot.

Thank you
Senator Tom Campbell

**Testimony of Connie Ova, Vice President
Economic Development Association of North Dakota
In Support of SB 2340
March 17, 2015**

I'm Connie Ova, CEO of the Jamestown/Stutsman Development Corporation and vice president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support for SB 2340, which would extend the income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of our economy.

Automation Tax Credit

This legislation originally came out of the 2009 Interim Workforce Committee and was approved for three taxable years beginning in 2013. It is set to sunset at the end of 2015, unless the sunset clause is removed or amended this session. The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session.

The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating manufacturing processes. This tax credit promotes efficiencies and innovation in our North Dakota companies, which helps manufacturers increase productivity and address workforce challenges to gain market share and maximize global competitiveness.

Available to primary sector businesses, the income tax credit can be applied to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The tax credit is equal to 20 percent of the qualified automation equipment purchase and is limited to \$2 million of aggregated tax credit per taxable year.

Increases Competitiveness

- For manufacturing companies to be competitive in a global market, they need to continue to automate and innovate. The tax credit supports capital investment in automation, which provides companies with the ability to supply current and new markets.
- Automation supports manufacturers' needs to continually improve quality control systems in their manufacturing processes.
- North Dakota companies have to compete with companies all around the world that benefit from government support and lower wages.
- The ability of North Dakota manufacturing companies to become more efficient and increase their speed to markets has become their competitive advantage. This helps ensure manufacturing is a viable industry in North Dakota.

Addresses Workforce Needs

- North Dakota companies are struggling to find employees. Automation helps address workforce needs while providing a company the capacity to increase production within their existing manufacturing processes, thereby creating the opportunity to grow and serve new markets.
- Automation can result in more highly-skilled, technical workers in higher-paying positions, which leads to increased tax revenue.
- It can also lead to the need for higher-skilled technical positions to meet demands of new markets.

SB 2340 Details

- Removes the sunset clause.
- Adds a provision that would recognize a “purchase lease” for eligibility purposes. Current law does not allow for this relatively routine acquisition option.
- Provides that tax credits for eligible investments would be prorated if there were more applications approved than the program funding caps allow. Current law provides benefits on a first-come, first-served basis.

Ongoing Evaluation

Our organization supports a periodic review of the state’s investment in business support programs to grow and diversify North Dakota’s economy. SB 2057, which EDND supports, establishes an evaluation process for economic development tax incentives, which would also apply to the automation tax credit if the sunset is removed. A review process helps demonstrate to the public that these investment decisions are not taken lightly and confirms that the investments have a net gain to the state.

Attachments and Testimony

Attached to my testimony are letters of support from economic developers and North Dakota companies. We also have Mark Vaux, executive vice president of the Greater Fargo Moorhead Economic Development Corporation, and representatives from North Dakota companies with us today to share how the automation tax credit impacts them.

Thank you for the opportunity to appear before you today to express our support for SB 2340. It enhances economic growth in the state, reduces the tax burden of growing businesses, reduces the state’s outsourcing of manufacturing and permanently establishes a proven, vital tax incentive for manufacturers to automate and improve their facilities.



JOHN DEERE

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3-17-15
#3 p. 1

Deere & Company
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Washington, D.C. 20006 USA
Phone: 202-423-2271 Fax: 202-296-0011
Mobile : 202-997-9022
Email: llesThomasE@JohnDeere.com

Thomas E. Iles
Director, State Public Affairs
Public Affairs Worldwide

Beijing	Brussels
Cary	Des Moines
Moline	Moscow
Olathe	Pune
Sao Paulo	Washington

SB 2340: North Dakota – Automation Tax Credit

Position: John Deere supports the enactment of SB 2340 during the 2015 North Dakota Legislative Session which would make permanent the income tax credit for purchases of manufacturing and equipment for the purpose of automating manufacturing processes.

Background: SB 2340 is currently under consideration in the Senate Finance and Taxation Committee. The current law was established back in 2013 with the Automation Tax Credit being available for manufacturers for the first three years beginning after December 31, 2012.

Position Rationale:

- **Enhanced North Dakota Economic Growth:** SB 2340 would encourage business to expand and locate to the state by decreasing the tax burden when capital investments are made to automate facilities.
- **Outsourcing:** The Automation Tax Credit provides a key incentive for manufacturers to produce in North Dakota and not outsource product development to other areas of the United States or the world.
- **North Dakota State's Budget:** SB 2340 contains an aggregate amount of tax credits to be capped by all claimants at no more than \$2 million per calendar year. This cap allows for sound budgeting principles for the state of North Dakota.
- **Tax Credit Protections:** The current refund process insures that only qualified automation equipment receives the credit.
- **Flexibility:** Management's automation and expansion decisions can be based upon the economy and their respective markets for products and services.

Summary: The enactment of SB 2340 would significantly enhance economic growth in the state, reduce the tax burden of growing businesses, reduce the state's outsourcing of manufacturing and permanently establish a proven, vital tax incentive for manufacturers to automate and improve their facilities.

Attachment: John Deere Presence in North Dakota



John Deere Presence in North Dakota

Deere & Company (NYSE: DE) is a world leader in providing advanced products and services and is committed to the success of customers whose work is linked to the land - those who cultivate, harvest, transform, enrich and build upon the land to meet the world's dramatically increasing need for food, fuel, shelter and infrastructure. Since 1837, John Deere has delivered innovative products of superior quality, built on a tradition of integrity. For more information, visit John Deere at its worldwide website at www.JohnDeere.com.

John Deere Quick Facts

Net Sales & Revenues	>\$36 billion*
Employees	>59,000*
• U.S. & Canada	>29,000
Facilities	
• States	18
• Countries	36
Research & Development - \$1.5 billion* (\$4.1 million/day)	
<small>* Figures taken from Deere & Company Annual Report 2014</small>	

• John Deere is a Power for Good



Deere & Company's corporate citizenship efforts continued making a meaningful impact in 2014 through support of citizenship activities, whose main focus includes solutions for world hunger, improved educational opportunities, and community development. John Deere employees also enriched their communities through extensive volunteer efforts which increased incomes and the standard of living for smallholder farmers in India and Sub-Saharan Africa. Deere also provided funding for programs focusing on science, technology, engineering and math (STEM) in communities in Brazil, India and the U.S. John Deere and the John Deere Foundation also made significant investments in our home communities worldwide to ensure their economic vibrancy for years to come. In all, our investments in 2014 improved the lives of more than 9.4 million people around the world.

Who We Are in North Dakota

- **Employees**
 - >950 work as part of John Deere's major business operations
 - >850 live in the state
 - >80 retirees
- **Suppliers & Dealers**
 - >130 contracts (approximately \$77 million)
 - 47 dealerships

Facility Locations

Fargo - John Deere Electronic Solutions— Electronics Design & Mfg.

Valley City - John Deere Seeding Group—Air Seeding Equipment



• Protecting the Environment

John Deere is committed to reducing our environmental footprint worldwide. The company has established the following enterprise eco-efficiency goals to be achieved by 2018. These goals are designed to encourage improved performance and innovation, as well as raise internal and public awareness of our environmental stewardship:



Reduce Greenhouse gas emissions and energy consumption per ton of production 15% from 2012 through 2018.



Reduce water consumption per ton of production 15% from 2012 through 2018.



Increase amount of enterprise waste recycled to 75% of total waste by 2018.



Use life cycle engineering to create products and services that meet customer needs and

• Promoting Alternative Energy



John Deere supports utilization of biofuels as a method of increasing energy stability and independence, reducing greenhouse gas emissions, and generating agricultural and other rural economic opportunities throughout the world.

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3-17-15
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Testimony In Support of SB 2340

Presented to the North Dakota State House Finance and Taxation Committee
Representative Headland, Chairman
Tuesday March 17, 2015
Presented by Peter Rackov CPA
Chief Financial Officer
Steffes Corporation, Dickinson, ND

Good morning, I am Peter Rackov, the CFO of Steffes Corporation. Steffes has been headquartered in Dickinson, North Dakota since it was founded more than 40 years ago. Steffes primarily manufactures fabricated metal products in support of the oil exploration industry in North Dakota. We also manufacture component parts for heavy equipment manufacturers such as Doosan / Bobcat and Terex.

I am here in support of SB 2340 which proposes the continuation of the Automation Tax Credit

We at Steffes are very fortunate and have been able to sell almost everything we could produce over the last few years. But, like most North Dakota employers, we experience significant challenges trying to find additional workers and can only grow by improving efficiency, automating or outsourcing our manufactured product.

The automation tax credit is a significant consideration as we evaluate whether we should invest in process or simply outsource the manufacturing. In 2013, we invested several million dollars in new processes and equipment within North Dakota and received a little over \$200k in automation tax credits. I can't put a number on the precise amount of benefit from automation but as a result of automation, lean process improvement and other investments, we grew our revenue from ND sources by about \$30 million dollars in 2013. In 2014, we invested more than \$7million in facilities, equipment and processes in ND and generated an additional \$15M of sales. We anticipate another \$200k of automation tax credits to be issued for 2014 based on these investments.

Currently, we are planning to invest another \$5M to \$10M in 2015 with at least one third of the investment earmarked for automation (robotics). The automation tax credit is important to us as we consider how and where to make this investment. Ultimately, oil prices will determine the impact on 2015, but we believe that this investment will add an additional \$30m to our annual capacity by first quarter of 2016.

On a side note, during this time, we also outsourced roughly \$6 million of product... to a Minnesota company because we couldn't find a North Dakota company with capacity.

In summary, we value the automation tax credit. The tax credit helps Steffes and all North Dakota businesses remain competitive. The credit makes investing in North Dakota an easier choice. I encourage the committee to recommend approval for SB 2340.

Thank you for your time.

Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
SB 2340
March 17th, 2015



#5 SB 2340
3-17-15

Mr. Chairman and members of the committee, my name is Jon Godfread. I am the Vice President of Government Affairs at the Greater North Dakota Chamber, the champions for business in North Dakota. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we support SB 2340.

The GNDC supports making permanent the income tax credit currently available for purchases of manufacturing and equipment for the purpose of automating manufacturing processes. North Dakota has a strong history of creating a positive business climate that has attracted and supported the growth of many businesses, including manufacturing companies. A strong pro-business regulatory and tax climate combined with a low cost structure, and a productive and hard-working population, has helped us attract and support growth in the manufacturing industry.

Today's globally competitive marketplace presents challenges to North Dakota manufacturers. Our traditional low cost model is no longer superior. North Dakota is now faced with international competitors whose labor costs are a fraction of those in the United States. In addition, North Dakota companies are faced with increasing costs for healthcare, energy and transportation, and consumers that demand increasing lower cost products. In order to keep their costs per unit low enough to compete, North Dakota's manufacturers will be forced to increase productivity while decreasing costs. The only way to achieve this will be through automation and lean manufacturing.

A large issue facing manufacturing companies in North Dakota is the availability of workforce, as mentioned we have a good business climate, but without workers it's tough to expand operations. With few unemployed seeking work, it is clear that we need to better utilize our existing workforce and focus on quality of jobs rather than quantity. We must do more with less, SB 2340 helps our manufacturers increase productivity and output by using machines and robots to replace and supplement human labor.

Also, with the piece of legislation that would put these very incentives under review periodically, we now that if this incentive is not operating the way it should be it will be up for review and again we as a business community will have to come and defend this incentive before this body to show its value. If the value isn't there it will then be removed. Removing the sunset provides predictability in making facility upgrades and provides management with the ability to plan expansion, while still being accountable to this body and the North Dakota tax payers.

Thank you for allowing me to testify, we would support a DO PASS recommendation on SB 2340. I would now be happy to attempt to answer any questions.



PO Box 2639 P: 701-222-0929
Bismarck, ND 58502 F: 701-222-1611



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fax: 1 701 280 1642
phone: 1 701 297 9256
toll-free: 1 877 PURE-DNA
web: www.aldevron.com
email: DNA@aldevron.com

SB 2340
3-17-15
#6 p. 1

March 12, 2015

Chairman Headland
House Finance and Taxation Committee

Dear Chairman Headland and Committee Members,

Please accept this letter as my testimony in support of SB 2340. The continuation of the Automation Tax Credit will help support growth in employment and capital investment at our Fargo facility.

Aldevron is a global contract manufacturing company that specializes in the production of plasmid DNA, RNA, proteins and antibodies. Our products support cutting edge technology applications in the pharmaceutical and agricultural industries. We have production facilities in Fargo; Madison, WI; and Freiburg, Germany.

We compete daily with both domestic and international companies that operate in locations that have much larger biotech workforces, in some cases lower wage rates or other operating costs.

Extending the Automation Tax Credit will help us afford capital investments that will allow us address challenges associated with a tight labor market and a very competitive global marketplace. The credit incents greater efficiencies, higher product output, higher wages and stronger companies.

On behalf of Aldevron, I thank you for your service to our State and for your consideration of this bill.

Sincerely and respectfully,

Brian Walters
CFO



March 16, 2015

Re: Support of SB 2340

Dear Chairman Headland;

I am writing to you to support SB 2340, which provides tax credit for companies in North Dakota that invest in automation.

Baker Boy is located in Dickinson. We have 225 hardworking, quality conscious employees. Our plant occupies 146,000 sq.ft. and employee a good amount of automations equipment. That said, we compete with multi-national companies like General Mills with a great deal more automation and the benefit cost structure that goes along with that.

While years ago, the degree of automation we have, along with the wages we were paying allowed us to compete, energy development has changed all this. Our starting wage had risen to \$17.50/hour. We compete with many food manufacturers, located in other part of the country that are paying \$10.00/ hour or less.

These factors have along with the inability to obtain an adequate workforce, at even these higher rates, have prompted us to invest in more automation. This fiscal year (April – March 2015) year alone, we have installed:

- Robotic Tray handing system - \$550,000.00
- New Donut Fry System - \$700,000.00

Next year, we are considering a Robotic Palletizer with a Laser Guided Vehicle, which will place the finished products automatically in our Storage Freezer.

I share this with you because the Automation Tax Credit is a big factor when weighing our ROI. You should also know that it is this type of Automation, coupled with effective training, allows us to pay our employees an even higher wage. Operators of this type of automation

bakerboy.com

170 GTA Drive Dickinson, North Dakota 58601 > 701 225 4444 > 800 437 2008

#6p.3



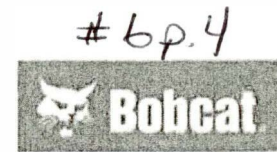
equipment are paid \$20.00 - \$24.00/hour. This allows us to create better jobs and yet compete. It also encourages us to invest in North Dakota, rather than locate a 2nd plant elsewhere, where workforce is ample and less costly.

In closing, I would urge a "Do Pass" on SB 2340. Please feel free to contact myself with any questions you or your committee members may have.

Sincerely,

A handwritten signature in black ink that reads "Guy M. Moos". The signature is written in a cursive style with a long horizontal stroke at the end.

Guy M. Moos,
President



Clark Equipment Company
250 East Beaton Drive
Fargo, North Dakota 58078
678 714 6310

March 15, 2015

Chairman Craig Headland and Members of
House Finance and Taxation House Standing Committee
North Dakota House of Representatives
1408 17th Street SE Mandan, ND 58554-4895
cheadland@nd.gov

Re: Support for SB 2340 – Automation Tax Credit Extension

Dear Chairman Headland and Committee Members:

I am the North America Tax Director for Doosan Infracore International and the Bobcat Company and write to you in support of SB 2340, which provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating their manufacturing processes. This tax credit promotes efficiencies and innovation, thereby helping local manufacturers such as the Bobcat Company, increase productivity and address workforce challenges to gain market share and maximize global competitiveness. Our company manufactures Bobcat compact equipment and has customers throughout the United States. All of our North America manufacturing facilities for our Bobcat compact equipment are in North Dakota.

In 2014 we expanded our Bismarck facilities and opened the new Acceleration Center, ushering in a generation of advanced product innovation and accelerated learning to benefit customers, dealers and employees worldwide. The facility is the home to 175 engineers and other employees who are responsible for the initial design, prototype engineering, prototype manufacturing, computer simulation and testing of ideas and concepts. The employees are highly-skilled, technical workers, in higher-paying positions. The Acceleration Center in Bismarck is the key engineering facility for all Bobcat compact equipment distributed globally and will help serve some of Doosan's heavy equipment research and development needs for the North American market.

The \$28 million project involved expansion of an existing building to include office and lab space, classrooms and demonstration areas, and both indoor and outdoor machine operation areas. The facility has two stories and 190,000 square feet under roof, with an additional 22 acres of outside test and product development space. A collaborative open office environment is equipped with modern devices, tools and software systems that expedite leading-edge engineering, and product and process development. In order to continue Bobcat's momentum, it is important that we invest in innovation, technology and our employees.

The passage of SB 2340 will help the Bobcat Company increase its competitiveness. In order to be competitive in a global market, we need to continue to automate and innovate. The tax credit will help support the Bobcat Company as follows:

- Providing capital investment in automation, providing us with the ability to supply current and new markets;
- Assisting with our goal to continually improve quality control systems in our manufacturing processes;
- Helping us remain competitive with companies around the world that benefit from government support and lower wages; and
- Assisting with hiring and training qualified employees, which will enhance our capacity to increase production within our existing manufacturing processes, thereby creating the opportunity to grow and serve new markets.

The Bobcat Company built the compact equipment industry and continues to set standards, and reach milestones that no other compact equipment manufacturer can match. We accomplished this here in North Dakota. We are proud to call North Dakota home, and plan to continue growing our engineering and innovation foundation in North Dakota. The Automation Tax Credit will help us continue to fund the growth of our innovation. We hope you will give strong consideration and support for SB 2340 and help us and other North Dakota manufacturers continue to grow through automation and technology advances.

Sincerely,



Kathleen M. Merkel
North America Tax Director

#6 p. 6

Dear Members of the House Finance and Taxation Committee,

I am writing in support of SB2340 to prevent the sunset of a program which is extremely valuable to our North Dakota manufacturing community: the Automation Tax Credit.

Killdeer Mountain Manufacturing (KMM) is a Tier 1 electronic subassembly supplier in the aerospace community. Our company supplies to customers such as Boeing, Lockheed Martin, Raytheon and others in the elite aerospace global supply chain. We provide just over 330 jobs in four factories across southwestern North Dakota and we are well-positioned for growth.

KMM has utilized this tax credit to help our business capture new work opportunities and offset significant portions of costs associated with opening new lines of production. KMM is a dynamic company with an engrained culture of continuous improvement. Automated equipment is critical to our vision of ever-moving forward in producing new technological solutions for the American warfighter and for advancing the state of the art in aerospace in general.

We remain committed to our employees and are continuously identifying ways in which we can increase the quality of life in our work place, and find ways to increase wages. Automated equipment has enabled us to maximize on newfound efficiencies that help us to save dollars in our production; those dollars can then be passed on to our workforce.

KMM has also benefited from the expanded capacities that result from automated equipment. This has enabled us to take on even greater levels of work and increased sales. These gains are also passed on in the way of opportunities for upward mobility for our workforce.

KMM has also worked very closely with our higher education community. Our customers value our close working relationship with engineering and aerospace schools.

It is our hope that you will support this legislation. The Automation Tax Credit has proven to be a well-reasoned, conservative, yet pro-business policy that provides a great return on investment for our region.

Best regards,
Kristin Hedger
Vice President
Killdeer Mountain Manufacturing

#6p.7



Peterson
Farms Seed

3104 164th Ave SE

Harwood, ND 58042

701-282-7476

866-481-7333

Fax 701-282-7554

www.petersonfarmsseed.com

Chairman Craig Headland
North Dakota House Finance and Taxation Committee
February 5, 2015

Dear Chairman Headland and committee members:

I am writing today in support of the Automation Tax Credit reauthorization, SB 2340.

Our little North Dakota company processes soybean seed for planting—largely by North Dakota farmers. Our raw product is also largely produced by North Dakota farmers. Our primary competitors are large out of state companies with capital resources many times what we can muster.

Nonetheless, as seed processing technology continues to rapidly evolve, to remain competitive, we must continually improve our processes.

We are currently working on a very significant plant expansion with automated process that will help improve both quality and efficiency. Access to the Automation Tax Credit is crucial to helping us afford this large project.

There are many North Dakota companies in the same situation. Therefore, we strongly urge reauthorization of this vital economic development tool.

Thank you for your consideration.

Sincerely,

Carl Peterson, President
Peterson Farms Seed

 #6p8

March 9, 2015

TO: Chairman Headland
House Finance and Taxation Committee
FROM:

PIVOTAL EDGE Inc.

Physical Location

4503 19th St. SE
Mandan, North Dakota 58557
USA.

Mailing Address

P.O. Box 2636
Bismarck, North Dakota 58502
USA

BACKGROUND

Pivotal Edge is a privately owned North Dakota company that builds a cover for pneumatic tanks. The cover is a replacement for the manual cover currently used and allows the driver to operate the cover from the safety of the ground and provide a more efficient operation for the trucking industry. The trailers would haul dry products such as: Cement, Fly Ash, Frac sand, flower, charcoal, plastic pellets any many other products around the world. We currently have two employees.

Our manufacturing plant is located in Mandan, ND where we have been located for the past five years. We have approximately 50% of our sales outside of North America, and our sales volume is growing at 35% a year.

AUTOMATION TAX CREDIT IMPACT

Pivotal Edge, Inc. has international relationships that would make it easy for us to locate in any country, or state. North Dakota has been both active and progressive in building business incentives, the automation tax credit is another tool used by business for the key economic growth the State is looking for. This tax credit will keep local companies growing local when possible. The help that automation tax credit gives us is to keep us competitive in the market place. We currently out-source some of our machining operations. The automation tax credit has been calculated into our business plan to determine at what point we are able to bring this work in house.

Pivotal Edge has used the tax credit on two pieces of equipment this has increased our production by making our process safer and more efficient.

The automation tax credit is available to small or large business making it a create tool for the manufacturing base in North Dakota.

Jay Beyer
Vice-President

BBJ SYSTEMS INC
P.O. BOX 2636
BISMARCK, ND 58502-2636
PH. 701 823-0541
FX 701 823-0560



#6p.9

March 12, 2015

Chairman Headland
House Finance and Taxation Committee
Bismarck, ND

Dear Chairman Headland,

In 2013 Swanson Health Products received an Automation Tax Credit of \$121,645 for the purchase of \$608,225 in qualifying automation equipment purchases. The credit was helpful for the purchase of a robotic mini load for handling our inventory, which consists of 20,000 SKU's.

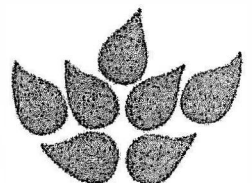
In 2014 we received a credit of \$36,745 for the purchases of \$183,729 in equipment. This helped provide us an automatic capper and labeler for our bottling line.

We urge you to extend the Automation Tax Credit past 2015. It has helped significantly in the affordability of these pieces of equipment we have purchased over the last two years.

Sincerely,

Joshua Jorgenson
Controller
Swanson Health Products, Inc.
701.356.2831
Josh.Jorgenson@swansonhealth.com

Swanson Health Products
4075 40 Avenue SW | Fargo, ND 58104
701.356.2700



Cando Office

PO Box 608 • 609 Fourth Avenue
Cando, ND 58324-0608
PHONE: 701/968-3314
FAX: 701/968-1747

NORTHERN PLAINS *Electric Cooperative*

6p. 10
Carrington Office

PO Box 180 • 1515 West Main
Carrington, ND 58421-0180
PHONE: 701/652-3156
FAX: 701/652-1854

Your Touchstone Energy Cooperative



1-800-882-2500 E-Mail: justask@nplains.com

Web: <http://www.nplains.com>

March 6, 2015

Representative Craig Headland
House Finance and Taxation Committee

Dear Representative Headland and Committee Members:

Thank you for accepting this written testimony in support of SB2340. My name is JoAnn Rodenbiker, director of business development for Northern Plains Electric Cooperative. As a member of the Economic Development Association of North Dakota, I am providing my support for extension of the Automation Tax Credit.

EDND is the voice of the state's economic development community and views business incentives as investments that are targeted at the state and local level to encourage capital investment, property tax base expansion, job creation and retention, increased economic activity, diversification, and community development.

Automation helps ensure manufacturing continues to be a viable industry in North Dakota by helping North Dakota companies become more efficient and provide speed to market, a competitive advantage. SB2340, through the tax credit, helps address workforce needs at a time when many companies are struggling to find employees and automation can result in more highly-skilled workers, in higher paying positions.

The extension of the Automation Tax Credit promotes innovation in our companies, increasing productivity and addressing workforce challenges, while allowing those companies to continue to gain market share. I encourage a DO PASS on SB2340.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "JoAnn Rodenbiker".

JoAnn Rodenbiker
Director of Business Development

"the power of human connections"

TESTIMONY
to the
North Dakota State House
Finance & Taxation Committee
Representative Craig Headland, Chairman

Friday, March 13, 2015

RE: SUPPORT FOR SB 2340 relating to extending the Automation Tax Credit
PRESENTED BY: Jane P. Priebe, CEcD, Director, Wahpeton Economic Development

It is well known that many of our companies struggle to find people to fill technically skilled positions that keep a business competitive. Automation is the next best thing to addressing this issue and the tax credit supports capital investment in automation. This tax credit on automation equipment purchases will sunset in 2015 unless SB 2340 is passed. The bill removes the sunset clause, adds a "purchase lease" provision in the eligibility requirements, and allows more applications for the tax credit on a prorated basis.

Wahpeton's WCCO Belting is just one of many manufacturers in the state that understand automating manufacturing processes which can also lead to the need for higher-skilled technical positions. Our companies need to be competitive in this global market and need continue to innovate, improve, and become more efficient.

The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session. Wahpeton Economic Development is a member of EDND and we also **SUPPORT SB 2340.**

March 6, 2015

Representative Craig Headland
Chairman
House Finance and Taxation Committee
600 E. Boulevard Avenue
Bismarck, North Dakota 58505

RE: (SB 2340) The Automation Tax Credit Extension

Dear Chairman Headland, House Finance and Taxation Committee Members,

I am writing on behalf of the Williston Economic Development office to express our full support of Senate Bill 2340.

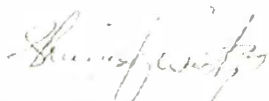
In Williston, the oil and gas operators in the Williston Basin face a higher break-even crude price due to higher costs and inefficiencies in the Bakken supply chain. On the other hand, we have regional manufacturers and logistics companies that can serve the oil and gas industry in a way that reduces costs and turn-around times as this market begins to mature.

To address this we have launched "The Bakken Supply Chain Initiative" aiming to reduce costs and increase efficiencies for Bakken operators, while expanding manufacturing and logistics business development in the Bakken region.

Therefore, our success within this initiative is dependent on the regional manufacturing base remaining competitive in the global market with the need to continue to automate and innovate. The automation tax credit extension helps ensure manufacturing remains a viable industry in North Dakota.

On behalf of the Williston Economic Development office I respectfully request that the Senate Finance and Taxation Committee support SB 2340.

Best Regards,



Shawn Wenko
Executive Director
Williston Economic Development

Testimony re: SB 2340

Senate Finance and Tax Committee

Chairman Headland and Members of the Committee

My name is John Phillips and I am past president of Economic Development North Dakota and have been the Economic Development Director in Beulah, North Dakota for 27 years. I am submitting written testimony to testify in favor of removing the sunset clause from the Automation Tax Credit incentive.

You are all aware of how competitive it is to recruit business and industry to the state and the ability to gain a market share in the competitive economy. The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating their manufacturing processes that will promote efficiencies and innovation in our North Dakota companies to increase productivity and more importantly address the workforce challenges.

This bill also allows primary sector businesses to apply the income tax credit to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. Recognizing the tax credit is equal to 20 percent of the qualified automation equipment purchase and limited to \$2 million of aggregated tax credit per taxable year.

What are the additional benefits of the bill?

- Assists manufacturing companies to be competitive in the global market
- Tax Credit supports capital investment in automation which provides companies with the ability to supply current and new markets
- Automation supports manufacturers needs to continually improve quality control systems in their manufacturing processes
- Assists North Dakota companies to compete with companies all around the world that benefit from government support and lower wages. Provides the ability for North Dakota manufacturing companies to become more efficient and

6p. 14

increase their speed to markets which will provide them a competitive advantage.

- Companies increased automation helps address workforce needs in the competitive job market while providing a company the capacity to increase production with their existing manufacturing processes.
- Automation can result in a more highly-skilled, technical workforce, which can initiate higher-paying positions.

I encourage you to support SB 2340 which extends the automation Tax Credit program beyond the original legislation that provided for 3 taxable years starting in 2013 and the provision that would recognize a “purchase lease” for eligibility purposes that was not included in the earlier legislation. In addition it provides that tax credits for eligible investments would be prorated if there were more applications approved than program funding caps allow. Current law provides benefits on a first-come, first-served basis which restricts the business recruitment opportunities in a competitive market.

Submitted by: John Phillips, City of Beulah ED Director / EDND Past President

Handout #1
4-2-15
SB 2340

SB 2340 Support Testimony
Thursday, April 2, 2015
Roughrider Room
North Dakota State Capitol Building

1. Economic Development Association of North Dakota, **Keith Lund**, Vice President
2. Baker Boy, **Guy Moos**, President
3. Cloverdale Food Company, **T.J. Russell**, President/CEO
4. Dakota MEP/Impact Dakota, **Tony Richards**, CEO
5. Dakota Turbines, **Lori Hannesson**, CFO
6. Doosan, **Kathleen Merkel**, North American Tax Director
7. Greater North Dakota Chamber, **Jon Godfread**, Vice President of Government Affairs
8. John Deere Electronic Solutions Inc., **Bryan Bossert**, Operations Manager
9. Killdeer Mountain Manufacturing, **Kristin Hedger**, Vice President
10. Pivotal Edge Inc., **Jay Beyer**, Vice President
11. Precision Machine & Welding, Inc., **Keith Huschka**, President
12. Steffes Corporation, **Peter Rackov**, CFO
13. Beulah Economic Development/ Lutheran Social Services of North Dakota, **John Phillips**, Development Director
14. Bowman County Development Corporation, **Teran Doerr**, Director
15. Cavalier County JDA, **Carol Goodman**, Director
16. Greater Fargo Moorhead EDC, **Mark Vaux**, Executive Vice President
17. Jamestown/Stutsman Development Corporation, **Connie Ova**, CEO

18. New Rockford Area Betterment Corporation, Sara Smith Warren, Executive Director

19. Northern Plains Electric Cooperative, **JoAnn Rodenbiker**, Director of Business

20. Wahpeton Economic Development, **Jane Priebe**, Director

21. Washburn Area Economic Development Association, **Rachel Retterath**, Board Member

Previous Testimony

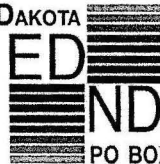
1. Aldevron, **Brian Walters**, CEO

2. Peterson Farms Seed, **Carol Peterson**, President

3. Rugby JDA, **SyAnn Graber**, Director

4. Swanson Health Products, **Joshua Jorgenson**, Controller

5. Williston Economic Development, **Shawn Wenko**, Executive Director



**Testimony of Keith Lund, President
Economic Development Association of North Dakota
In Support of SB 2340
April 2, 2015**

Chairman Delzer and members of the House Appropriations Committee, I'm Keith Lund, vice president of the Grand Forks Region Economic Development Corporation and president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support for SB 2340, which would extend the income tax credit for purchases of manufacturing and equipment for the purpose of automating manufacturing processes.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Automation Tax Credit

This legislation originally came out of the 2009 Interim Workforce Committee and was approved for three taxable years beginning in 2013. It is set to sunset at the end of 2015, unless the sunset clause is removed or amended this session. The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session.

The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating manufacturing processes. This tax credit promotes efficiencies and innovation in our North Dakota companies, which helps manufacturers increase productivity and address workforce challenges to gain market share and maximize global competitiveness.

Available to primary sector businesses, the income tax credit can be applied to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The tax credit is equal to 20 percent of the qualified automation equipment purchase and is limited to \$2 million of aggregated tax credit per taxable year.

Increases Competitiveness

- For manufacturing companies to be competitive in a global market, they need to continue to automate and innovate. The tax credit supports capital investment in automation, which provides companies with the ability to supply current and new markets.
- Automation supports manufacturers' needs to continually improve quality control systems in their manufacturing processes.

- North Dakota companies have to compete with companies all around the world that benefit from government support and lower wages.
- The ability of North Dakota manufacturing companies to become more efficient and increase their speed to markets has become their competitive advantage. This helps ensure manufacturing is a viable industry in North Dakota.

Addresses Workforce Needs

- North Dakota companies are struggling to find employees. Automation helps address workforce needs while providing a company the capacity to increase production within their existing manufacturing processes, thereby creating the opportunity to grow and serve new markets.
- Automation can result in more highly-skilled, technical workers, in higher-paying positions, which leads to increased tax revenue.
- It can also lead to the need for higher-skilled technical positions to meet demands of new markets.

SB 2340 Details

- Removes the sunset clause.
- Adds a provision that would recognize a "purchase lease" for eligibility purposes. Current law does not allow for this relatively routine acquisition option.
- Provides that tax credits for eligible investments would be prorated if there were more applications approved than program funding caps allow. Current law provides benefits on a first-come, first-served basis.

Ongoing Evaluation

Our organization supports a periodic review of state's investment in business support programs to grow and diversify North Dakota's economy these investments. SB 2057, which EDND supports, establishes an evaluation process for economic development tax incentives, which would also apply to the automation tax credit if the sunset is removed. A review process helps demonstrate to the public that these investment decisions are not taken lightly, and confirm that the investments have a net gain to the state.

Attachments and Testimony

Attached to my testimony are letters of support from economic developers and North Dakota companies.

Thank you for the opportunity to express our support for SB 2340. It enhances economic growth in the state, reduces the tax burden of growing businesses, reduces the state's outsourcing of manufacturing and permanently establishes a proven, vital tax incentive for manufacturers to automate and improve their facilities.



March 30, 2015

Re: Support of SB 2340

Dear Chairman Delzer;

I am writing to you to support SB 2340, which provides tax credit for companies in North Dakota that invest in automation.

Baker Boy is located in Dickinson. We have 225 hardworking, quality conscious employees. Our plant occupies 146,000 sq.ft. and employee a good amount of automations equipment. That said, we compete with multi-national companies like General Mills with a great deal more automation and the benefit cost structure that goes along with that.

While years ago, the degree of automation we have, along with the wages we were paying allowed us to compete, energy development has changed all this. Our starting wage had risen to \$17.50/hour. We compete with many food manufacturers, located in other part of the country that are paying \$10.00/ hour or less.

These factors have along with the inability to obtain an adequate workforce, at even these higher rates, have prompted us to invest in more automation. This fiscal year (April – March 2015) year alone, we have installed:

- Robotic Tray handing system - \$550,000.00
- New Donut Fry System - \$700,000.00

Next year, we are considering a Robotic Palletizer with a Laser Guided Vehicle, which will place the finished products automatically in our Storage Freezer.

I share this with you because the Automation Tax Credit is a big factor when weighing our ROI. You should also know that it is this type of Automation, coupled with effective training, allows us to pay our employees an even higher wage. Operators of this type of automation

bakerboy.com

170 GTA Drive Dickinson, North Dakota 58601 > 701 225 4444 > 800 437 2008



equipment are paid \$20.00 - \$24.00/hour. This allows us to create better jobs and yet compete. It also encourages us to invest in North Dakota, rather than locate a 2nd plant elsewhere, where workforce is ample and less costly.

In closing, I would urge a "Do Pass" on SB 2340. Please feel free to contact myself with any questions you or your committee members may have.

Sincerely,

Guy M. Moos,
President

April 1, 2015

Re: Support of SB 2340

Dear House Appropriations Committee;

Cloverdale, a Mandan, ND company is celebrating a 100 year anniversary throughout 2015. On behalf of our 275+ hardworking employees, please accept this letter as a show of support for SB 2340. Throughout our family's 4 generations of competing in the food business we have learned how to best compete with the giants of the industry. It will be forever be an 'arms race.' We will do our best at Cloverdale to keep it close.



The food industry and meat business that we compete in has many infrastructure advantages in other parts of the country. SB 2340, one of the financial tools to consider when assessing automation investments has been helpful.

As you are well aware, there are many companies throughout this great state investing in their businesses. SB 2340, what many of us consider the Automation Tax Credit, is an important part of the financial planning process for many businesses.

Please pass/continue SB 2340.

T.J. Russell | President/CEO



e: tjr@cloverdalefoods.com
p: 701.667.8515 c: 701.471.1074
w: CloverdaleFoods.com  



TESTIMONY
To the
North Dakota State
House Appropriations Committee
Representative Delzer
Monday, March 30, 2015

I am Tony Richards, the CEO of Impact Dakota, formerly DakotaMEP, and I am providing testimony in support of SB 2340 relating to the Automation Tax Credit Extension.

Today's North Dakota manufacturers are under constant pressure to cut costs and operate more efficiently. With global competition and escalating operating costs, North Dakota manufacturers must explore every option for increasing profits while providing a safe and competitive product for the marketplace.

The impact of North Dakota manufactures is felt locally, nationally and globally and the Automation Tax Credit Extension is one critical tool that will allow our manufactures to remain competitive in technology, innovation and in attracting and maintaining higher-skilled technical positions.

On a state level, according to the US Bureau of Economic Analysis, in 2012 manufacturing provided:

- 6.6% of the total state output
- Employed 5.7% of the workforce or approximately 25,500 workers
- Produced over \$3 billion dollars per year
- Manufacturing accounted for 13.9% of all North Dakota jobs
- Small business manufacturing comprised 85.4% of North Dakota's 1731 exporters

Nationally and globally, according to the US Department of Commerce, in 2013, North Dakota trade statistics for manufacturing:

- Accounted for 63.3% of all ND exports
- Manufactured goods exports accounted for \$2.4 billion dollars
- Average more than \$715,000 in exports per manufacturer
- Accounted for 35% of total state exports
- 2009-2013 the national growth average in trade was 50.4% in North Dakota during this same time period, we averaged 58.5%

North Dakota Manufacturers top five exporting markets include:

- Canada 70.4%
- Mexico 6.6%
- Australia 3.5%
- Belgium 3.1%
- Germany 1.7%
- Others 14.7%

The top 10 manufacturing sectors in North Dakota in 2011, according to the US Bureau of Economic Analysis were:

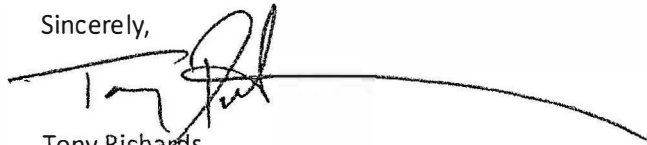
• Machinery	\$733*
• Food/Beverage	\$706
• Petroleum & Coal Products	\$248
• Fabricated Metal	\$157
• Nonmetallic Mineral	\$123
• Wood	\$116
• Motor Vehicle/Body/Trailer & Parts	\$108
• Plastics & Rubber	\$ 94
• Computer & Electronics	\$ 91
• Chemical	\$ 81

(* All dollars are in millions)

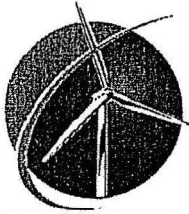
The economic impacts that North Dakota manufactures have on this state nationally and globally are significant and will continue to grow over the years. The Automation Tax Credit Extension is a critical "tool" that will allow all of our manufacturing base to remain competitive on all levels both today, and for years to come.

On behalf of Impact Dakota and the manufactures we proudly serve, I respectfully request that the House Appropriations Committee support SB 2340.

Sincerely,



Tony Richards
Chief Executive Officer
Impact Dakota
701-328-5471
tonyr@impactdakota.com



DAKOTA TURBINES

111 9th St. SE, Unit1
Cooperstown, ND 58425
Ph. 701-797-3830
www.dakotaturbines.com

March 30, 2015

Representative Craig Headland
House Finance and Taxation Committee Members:

Thank you for accepting this written testimony in support of SB2340. We are providing our support for extension of the Automation Tax Credit.

Dakota Turbines is a small company that manufactures a small wind turbine system. Purchasing manufacturing machinery and equipment that automates our process is crucial to our business. This helps us become much more efficient and creates the opportunity to grow.

In 2014 we received a credit of \$20105.43 for the purchases of \$105396.48 in equipment. This helped us provide a much more efficient way of manufacturing our blades.

We urge you to extend the Automation Tax Credit past 2015. This greatly increases the affordability of equipment and our productivity. I encourage a DO PASS on SB2340.

Thank you,

Sincerely,

Lori Hannesson
Dakota Turbines
CFO



Clark Equipment Company
250 East Beaton Drive
Fargo, North Dakota 58078
678 714 6310

March 31, 2015

Representative Jeff Delzer
Chairman, House Appropriations Committee
North Dakota House of Representatives
2919 Fifth Street NW
Underwood, ND 58576-9603
jdelzer@nd.gov

Re: Support for SB 2340 – Automation Tax Credit Extension

Dear Chairman Delzer and Appropriations Committee:

I am the North America Tax Director for Doosan Infracore International and the Bobcat Company. I am writing to you in support of SB 2340, which provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating their manufacturing process. This tax credit promotes efficiencies and innovation, thereby helping local manufacturers such as the Bobcat Company, increase productivity and address workforce challenges to gain market share and maximize global competitiveness. Our company manufactures Bobcat compact equipment and has customers throughout the United States and Canada. All of our North America manufacturing facilities for our Bobcat compact equipment are in North Dakota.

In 2014 we expanded our Bismarck facilities and opened the new Acceleration Center, ushering in a generation of advanced product innovation and accelerated learning to benefit customers, dealers and employees worldwide. The facility is the home to 175 engineers and other employees who are responsible for the initial design, prototype engineering, prototype manufacturing, computer simulation and testing of ideas and concepts. The employees are highly-skilled, technical workers, in higher paying positions. The Acceleration Center in Bismarck is the key engineering facility for all Bobcat compact equipment distributed globally and will help serve some of Doosan's heavy equipment research and development needs for the North American market.

The \$28 million project involved expansion of an existing building to include office and lab space, classrooms and demonstration areas, and both indoor and outdoor machine operation areas. The facility has two stories and 190,000 square feet under roof, with an additional 22 acres of outside test and product development space. A collaborative open office environment is equipped with modern devices, tools and software systems that expedite leading-edge

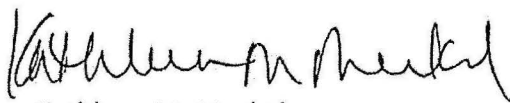
engineering, and product and process development. In order to continue Bobcat's momentum, it is important that we invest in innovations, technology and our employees.

The passage of SB 2340 will help the Bobcat Company increase its competitiveness. In order to be competitive in a global market, we need to continue to automate and improve. The automation tax credit will help support the Bobcat Company as follows:

- Provide capital investment in automation, providing us with the ability to supply current and new markets;
- Assist with our goal to continually improve quality control systems in our manufacturing processes;
- Help us remain competitive with companies around the world that benefit from government support and lower wages; and
- Assist with our hiring and training qualified employees, which will enhance our capacity to increase production within our existing manufacturing processes, thereby creating the opportunity to grow and serve the new markets.

The Bobcat Company built the compact equipment industry and continues to set standards, and reach milestones that no other compact equipment manufacturer can match. We accomplished this here in North Dakota. We are proud to call North Dakota home, and plan to continue growing our engineering and innovation foundation in North Dakota. The Automation Tax Credit will help us continue to fund the growth of our innovation. We hope that you will give strong consideration and support for SB 2340 and help us and other North Dakota manufacturers continue to grow through automation and technology advances.

Sincerely,



Kathleen M. Merkel
North America Director of Tax

cc: Representative Keith Kempenich (by e-mail kkempenich@nd.gov)
Representative Larry Bellew (by e-mail lbellew@nd.gov)
Representative Tracy Boe (by e-mail tboe@nd.gov)
Representative Randy Boehning (by e-mail rboehning@nd.gov)
Representative Mike Brandenburg (by e-mail mbrandenburg@nd.gov)
Representative Mark Dosch (by e-mail mdosch@nd.gov)
Representative Eliot Glassheim (by e-mail eglassheim@nd.gov)
Representative Ron Guggisberg (by e-mail rguggisberg@nd.gov)
Representative Kathy Hogan (by e-mail khogan@nd.gov)

Representative Richard Holman (by e-mail rholman@nd.gov)
Representative Gary Kreidt (by e-mail gkreidt@nd.gov)
Representative Bob Martinson (by e-mail bmartinson@nd.gov)
Representative David Monson (by e-mail dmonson@nd.gov)
Representative Jon Nelson (by e-mail jonelson@nd.gov)
Representative Chet Pollert (by e-mail cpollert@nd.gov)
Representative Mark Sanford (by e-mail masanford@nd.gov)
Representative Jim Schmidt (by e-mail jeschmidt@nd.gov)
Representative Peter Silbernagel (by e-mail psilbernagel@nd.gov)
Representative Robert Skarphol (by e-mail bskarphol@nd.gov)
Representative Roscoe Streytle (by e-mail rstreytle@nd.gov)
Representative Blair Thoreson (by e-mail bthoreson@nd.gov)
Representative Don Vigesaa (by e-mail dwwigesaa@nd.gov)

Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
SB 2340
April 2, 2015

Mr. Chairman and members of the committee, my name is Jon Godfread. I am the Vice President of Government Affairs at the Greater North Dakota Chamber, the champions for business in North Dakota. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we support SB 2340.

The GNDC supports making permanent the income tax credit currently available for purchases of manufacturing and equipment for the purpose of automating manufacturing processes. North Dakota has a strong history of creating a positive business climate that has attracted and supported the growth of many businesses, including manufacturing companies. A strong pro-business regulatory and tax climate combined with a low cost structure, and a productive and hard-working population, has helped us attract and support growth in the manufacturing industry.

Today's globally competitive marketplace presents challenges to North Dakota manufacturers. Our traditional low cost model is no longer superior. North Dakota is now faced with international competitors whose labor costs are a fraction of those in the United States. In addition, North Dakota companies are faced with increasing costs for healthcare, energy and transportation, and consumers that demand increasing lower cost products. In order to keep their costs per unit low enough to compete, North Dakota's manufacturers will be forced to increase productivity while decreasing costs. The only way to achieve this will be through automation and lean manufacturing.

A large issue facing manufacturing companies in North Dakota is the availability of workforce, as mentioned we have a good business climate, but without workers it's tough to expand operations. With few unemployed seeking work, it is clear that we need to better utilize our existing workforce and focus on quality of jobs rather than quantity. We must do more with less, SB 2340 helps our manufacturers increase productivity and output by using machines and robots to replace and supplement human labor.

Also, with the piece of legislation that would put these very incentives under review periodically, we now that if this incentive is not operating the way it should be it will be up for review and again we as a business community will have to come and defend this incentive before this body to show its value. If the value isn't there it will then be removed. Removing the sunset provides predictability in making facility upgrades and provides management with the ability to plan expansion, while still being accountable to this body and the North Dakota tax payers.

Thank you for allowing me to testify, we would support a DO PASS recommendation on SB 2340. I would now be happy to attempt to answer any questions.



JOHN DEERE

Deere & Company
801 17th Street, NW, Suite 200
Washington, D.C. 20006 USA
Phone: 202-423-2271 Fax: 202-296-0011
Mobile : 202-997-9022
Email: llesThomasE@JohnDeere.com

Thomas E. Iles
Director, State Public Affairs
Public Affairs Worldwide

Beijing	Brussels
Cary	Des Moines
Moline	Moscow
Olathe	Pune
Sao Paulo	Washington

SB 2340: North Dakota – Automation Tax Credit

Position: John Deere supports the enactment of SB 2340 during the 2015 North Dakota Legislative Session which would make permanent the income tax credit for purchases of manufacturing and equipment for the purpose of automating manufacturing processes.

Background: After passing the Senate on a vote of 45 to 1, SB 2340 is currently under consideration in the House Appropriations Committee. The current law was established back in 2013 with the Automation Tax Credit being available for manufacturers for the first three years beginning after December 31, 2012.

Position Rationale:

- **Enhanced North Dakota Economic Growth:** SB 2340 would encourage business to expand and locate to the state by decreasing the tax burden when capital investments are made to automate facilities.
- **Outsourcing:** The Automation Tax Credit provides a key incentive for manufacturers to produce in North Dakota and not outsource product development to other areas of the United States or the world.
- **North Dakota State’s Budget:** SB 2340 contains an aggregate amount of tax credits to be capped by all claimants at no more than \$2 million per calendar year. This cap allows for sound budgeting principles for the state of North Dakota.
- **Tax Credit Protections:** The current refund process insures that only qualified automation equipment receives the credit.
- **Flexibility:** Management's automation and expansion decisions can be based upon the economy and their respective markets for products and services.

Summary: The enactment of SB 2340 would significantly enhance economic growth in the state, reduce the tax burden of growing businesses, reduce the state’s outsourcing of manufacturing and permanently establish a proven, vital tax incentive for manufacturers to automate and improve their facilities.

Attachment: John Deere Presence in North Dakota

John Deere Presence in North Dakota



Deere & Company (NYSE: DE) is a world leader in providing advanced products and services and is committed to the success of customers whose work is linked to the land - those who cultivate, harvest, transform, enrich and build upon the land to meet the world's dramatically increasing need for food, fuel, shelter and infrastructure. Since 1837, John Deere has delivered innovative products of superior quality, built on a tradition of integrity. For more information, visit John Deere at its worldwide website at www.JohnDeere.com.

John Deere Quick Facts

Net Sales & Revenues	>\$36 billion*
Employees	>59,000*
• U.S. & Canada	>29,000
Facilities	
• States	18
• Countries	36
Research & Development - \$1.5 billion* (\$4.1 million/day)	
<small>* Figures taken from Deere & Company Annual Report 2014</small>	

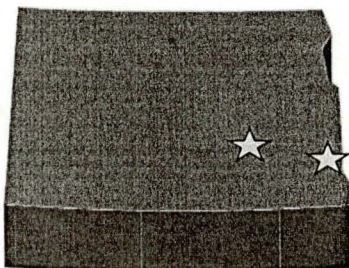
Who We Are in North Dakota

- **Employees**
 - >950 work as part of John Deere's major business operations
 - >850 live in the state
 - >80 retirees
- **Suppliers & Dealers**
 - >130 contracts (approximately \$77 million)
 - 47 dealerships

Facility Locations

Fargo - John Deere Electronic Solutions— Electronics Design & Mfg.

Valley City - John Deere Seeding Group—Air Seeding Equipment



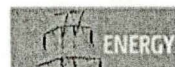
John Deere is a Power for Good



Deere & Company's corporate citizenship efforts continued making a meaningful impact in 2014 through support of citizenship activities, whose main focus includes solutions for world hunger, improved educational opportunities, and community development. John Deere employees also enriched their communities through extensive volunteer efforts which increased incomes and the standard of living for smallholder farmers in India and Sub-Saharan Africa. Deere also provided funding for programs focusing on science, technology, engineering and math (STEM) in communities in Brazil, India and the U.S. John Deere and the John Deere Foundation also made significant investments in our home communities worldwide to ensure their economic vibrancy for years to come. In all, our investments in 2014 improved the lives of more than 9.4 million people around the world.

Protecting the Environment

John Deere is committed to reducing our environmental footprint worldwide. The company has established the following enterprise eco-efficiency goals to be achieved by 2018. These goals are designed to encourage improved performance and innovation, as well as raise internal and public awareness of our environmental stewardship:



Reduce Greenhouse gas emissions and energy consumption per ton of production 15% from 2012 through 2018.



Reduce water consumption per ton of production 15% from 2012 through 2018.

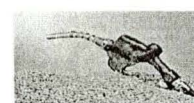


Increase amount of enterprise waste recycled to 75% of total waste by 2018.



Use life cycle engineering to create products and services that meet customer needs and

Promoting Alternative Energy



John Deere supports utilization of biofuels as a method of increasing energy stability and independence, reducing greenhouse gas emissions, and generating agricultural and other rural economic opportunities throughout the world.

Dear Members of the House Appropriation Committee,

I am writing in support of SB2340 to prevent the sunset of a program which is extremely valuable to our North Dakota manufacturing community: the Automation Tax Credit.

Killdeer Mountain Manufacturing (KMM) is a Tier 1 electronic subassembly supplier in the aerospace community. Our company supplies to customers such as Boeing, Lockheed Martin, Raytheon and others in the elite aerospace global supply chain. We provide just over 330 jobs in four factories across southwestern North Dakota and we are well-positioned for growth.

KMM has utilized this tax credit to help our business capture new work opportunities and offset significant portions of costs associated with opening new lines of production. KMM is a dynamic company with an engrained culture of continuous improvement. Automated equipment is critical to our vision of ever-moving forward in producing new technological solutions for the American warfighter and for advancing the state of the art in aerospace in general.

We remain committed to our employees and are continuously identifying ways in which we can increase the quality of life in our work place, and find ways to increase wages. Automated equipment has enabled us to maximize on newfound efficiencies that help us to save dollars in our production; those dollars can then be passed on to our workforce.

KMM has also benefited from the expanded capacities that result from automated equipment. This has enabled us to take on even greater levels of work and increased sales. These gains are also passed on in the way of opportunities for upward mobility for our workforce.

KMM has also worked very closely with our higher education community. Our customers value our close working relationship with engineering and aerospace schools.

It is our hope that you will support this legislation. The Automation Tax Credit has proven to be a well-reasoned, conservative, yet pro-business policy that provides a great return on investment for our region.

Best regards,
Kristin Hedger
Vice President
Killdeer Mountain Manufacturing



March 30, 2015

TO: The Honorable Jeff Delzer of North Dakota
And Members of the House Appropriations

FROM:
PIVOTAL EDGE Inc.

Physical Location

4503 19th St. SE
Mandan, North Dakota 58557
USA.

Mailing Address

P.O. Box 2636
Bismarck, North Dakota 58502
USA

BACKGROUND

Pivotal Edge is a privately owned North Dakota company that builds a cover for pneumatic tanks. The cover is a replacement for the manual cover currently used and allows the driver to operate the cover from the safety of the ground and provide a more efficient operation for the trucking industry. The trailers would haul dry products such as: Cement, Fly Ash, Frac sand, flower, charcoal, plastic pellets any many other products around the world. We currently have two employees.

Our manufacturing plant is located in Mandan, ND where we have been located for the past five years. We have approximately 50% of our sales outside of North America, and our sales volume is growing at 35% a year.

AUTOMATION TAX CREDIT IMPACT

Pivotal Edge, Inc. has international relationships that would make it easy for us to locate in any country, or state. North Dakota has been both active and progressive in building business incentives, the automation tax credit is another tool used by business for the key economic growth the State is looking for. This tax credit will keep local companies growing local when possible. The help that automation tax credit gives us is to keep us competitive in the market place. We currently out-source some of our machining operations. The automation tax credit has been calculated into our business plan to determine at what point we are able to bring this work in house.

Pivotal Edge has used the tax credit on two pieces of equipment this has increased our production by making our process safer and more efficient.

The automation tax credit is available to small or large business making it a create tool for the manufacturing base in North Dakota.

Jay Beyer
Vice-President

PIVOTAL EDGE
PNEUMATIC SYSTEMS INC.
P. O. BOX 2636
BISMARCK, ND 58502-2636
PH. 701.223.0543
FX 701.223.0200



PRECISION MACHINE & WELDING, INC
145 21ST STREET WEST, DICKINSON, ND 58601
701-225-5155

April 1, 2015

Re: Support of SB 2340

Dear Representative Delzer and members of the House Appropriations:

I am writing to express my support of SB 2340 that provides tax credits to companies like ours in North Dakota who invest in automation.

Precision Machine & Welding, Inc. produces parts used in the mining and the oil industry, and rebuilds and repairs parts for both. Precision Machine has been serving the agriculture community as well for over 35 years.

The automation tax credit has helped make automated machines more affordable, which has aided our company to be able to offer value added product at a faster pace. This increases sales, which increases tax revenue. In some cases we can supply a faster and longer wearing part than OEM.

Recently we have purchased two CNC Lathes to use for quantity pricing for direct sales or warehousing/cataloging. They are also used to do close tolerance work in the needs of horizontal drilling for oil industry requirements.

In the near future we hope to purchase a CNC Milling Machine to provide wear parts in the drilling and production aspects of the oil industry with the same quantity price sales networking.

In summary, Precision Machine is looking to the far future by adapting to automated processes to assure the company's continued success. The approval of SB 2340: Automation Tax Credit Extension can help make that happen.

Sincerely and respectfully,

A handwritten signature in black ink, appearing to read 'Keith Huschka', written in a cursive style.

Keith Huschka, President



3050 Highway 22 North
Dickinson, ND USA 58601
Phone: 701-483-5400
Fax: 701-456-7497
E-Mail: steffes@steffes.com

April 2, 2015

Representative Delzer and members of the House Appropriations Committee

I am Peter Rackov, the CFO of Steffes Corporation. Steffes has been headquartered in Dickinson, North Dakota since it was founded more than 40 years ago. Steffes primarily manufacturers fabricated metal products in support of the oil exploration industry in North Dakota. We also manufacture component parts for heavy equipment manufacturers such as Doosan / Bobcat and Terex.

I support of SB 2340 which proposes the continuation of the Automation Tax Credit

We at Steffes are very fortunate and have been able to sell almost everything we could produce over the last few years. But, like most North Dakota employers, we experience significant challenges trying to find additional workers and can only grow by improving efficiency, automating or outsourcing our manufactured product.

The automation tax credit is a significant consideration as we evaluate whether we should invest in process or simply outsource the manufacturing. In 2013, we invested several million dollars in new processes and equipment within North Dakota and received a little over \$200k in automation tax credits. I can't put a number on the precise amount of benefit from automation but as a result of automation, lean process improvement and other investments, we grew our revenue from ND sources by about \$30 million dollars in 2013. In 2014, we invested more than \$7million in facilities, equipment and processes in ND and generated an additional \$15M of sales. We anticipate another \$200k of automation tax credits to be issued for 2014 based on these investments.

Currently, we are planning to invest another \$5M to \$10M in 2015 with at least one third of the investment earmarked for automation (robotics). The automation tax credit is important to us as we consider how and where to make this investment. Ultimately, oil prices will determine the impact on 2015, but we believe that this investment will add an additional \$30m to our annual capacity by first quarter of 2016.

On a side note, during this time, we also outsourced roughly \$6 million of product... to a Minnesota company because we couldn't find a North Dakota company with capacity.

In summary, we value the automation tax credit. The tax credit helps Steffes and all North Dakota businesses remain competitive. The credit makes investing in North Dakota an easier choice. I encourage the committee to recommend approval for SB 2340.

Thank you for your time.

Sincerely,

Peter Rackov, CPA

Chief Financial Officer

Testimony re: SB 2340
House Appropriation Committee

Chairman Delzer and members of the House Appropriation Committee:

My name is John Phillips and I am past president of Economic Development North Dakota and have been the Economic Development Director in Beulah, North Dakota for 27 years. I am submitting written testimony to testify in favor of removing the sunset clause from the Automation Tax Credit incentive.

You are all aware of how competitive it is to recruit business and industry to the state and the ability to gain a market share in the competitive economy. The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating their manufacturing processes that will promote efficiencies and innovation in our North Dakota companies to increase productivity and more importantly address the workforce challenges.

This bill also allows primary sector businesses to apply the income tax credit to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. Recognizing the tax credit is equal to 20 percent of the qualified automation equipment purchase and limited to \$2 million of aggregated tax credit per taxable year.

What are the additional benefits of the bill?

- Assists manufacturing companies to be competitive in the global market
- Tax Credit supports capital investment in automation which provides companies with the ability to supply current and new markets
- Automation supports manufacturers needs to continually improve quality control systems in their manufacturing processes
- Assists North Dakota companies to compete with companies all around the world that benefit from government support and lower wages. Provides the ability for North Dakota manufacturing companies to become more efficient and

increase their speed to markets which will provide them a competitive advantage.

- Companies increased automation helps address workforce needs in the competitive job market while providing a company the capacity to increase production with their existing manufacturing processes.
- Automation can result in a more highly-skilled, technical workforce, which can initiate higher-paying positions.

I encourage you to support SB 2340 which extends the automation Tax Credit program beyond the original legislation that provided for 3 taxable years starting in 2013 and the provision that would recognize a "purchase lease" for eligibility purposes that was not included in the earlier legislation. In addition it provides that tax credits for eligible investments would be prorated if there were more applications approved than program funding caps allow. Current law provides benefits on a first-come, first-served basis which restricts the business recruitment opportunities in a competitive market.

Submitted by: John Phillips, City of Beulah ED Director / EDND Past President



COUNTY DEVELOPMENT
CORPORATION

13 1/2 E Divide Ave
PO Box 1143
Bowman, ND 58623
701-523-5880
development@bowmannd.com
www.bowmannd.com

Testimony of Teran Doerr
Bowman County Development Corporation
SB 2340
April 1, 2015

Chairman Delzer and members of the committee,

My name is Teran Doerr. I serve as Economic Development Director for Bowman County. I am writing this letter in support of the Automation Tax Credit reauthorization, SB 2340.

The automation tax credit provides support for North Dakota manufacturing companies and helps it to remain a strong and viable industry for the future of our state. This tax credit encourages innovation which leads to better processes and greater efficiency. Through these increased efficiencies we are also able to help address the growing workforce shortage our communities and companies continue to face.

The credit also encourages increased diversification. Diversification will be a key component in the future stabilization of our state's economy. It allows us to remain competitive in recruiting new businesses and industry to allow for this diversification. As recruitment continues to be a challenge, we are better afforded a competitive edge through the use of this incentive. It also allows for the businesses to remain competitive themselves.

As the Director of the Bowman County Development Corporation and an active member of the Economic Development Association of North Dakota, I urge you to support SB 2340 for the reauthorization of the Automation Tax Credit program.

Thank you.

Submitted by: Teran Doerr, Bowman County Economic Development Director

Cavalier County Job Development Authority

901 3rd Street Suite 5 ∞ Langdon, ND 58249 ∞ Phone: 701-256-3475 ∞ Fax: 701-256-3536

March 30, 2015

Representative Jeff Delzer
House Appropriations Committee

Dear Representative Delzer and Members of the Committee:

Writing on behalf of the Cavalier County Job Development Authority (CCJDA), I appreciate the opportunity to offer support for SB2340. My name is Carol Goodman, and after working for CCJDA for many years as Executive Director, I am continuing work with them as a consultant for primary sector development.

I encourage your support for the extension of SB2340 for a variety of reasons. First of all, it has been a valuable tool for many communities in their Business Retention and Expansion efforts which are the "bread and butter" of economic development. All of us who have been involved in the continued improvement and progress of the North Dakota economic development system over the past twenty-plus years have appreciated the Automation Tax Credit (ATC) option when working on a project.

In addition, I urge your support for extension of the ATC with an eye to the future. It is a wonderful time to be a part of, and watch, the exciting new emerging industries in our state. Increasing automation has driven the advancements made in technology based manufacturing, processing of agricultural products and many other industries. Companies are investing in North Dakota because they know a good business environment when they see it, and the ATC has enhanced the process, resulting in entry into new markets, highly skilled jobs and diversification of our economy.

The Economic Development Association of North Dakota (EDND) supports SB2340, and as a past president of the organization I know of the careful consideration and conversation that takes place prior to lending that support. Many of our member communities have successfully utilized the ATC and it is important for that to continue.

We respectfully encourage your DO PASS on SB2340. Thank you!

Sincerely,
Carol Goodman
Carol Goodman, Director

Primary Sector Development – CCJDA

CCJDA is an Equal Opportunity Employer & Provider

April 1, 2015

To: Representative Delzer and members of the House Appropriations Committee

RE: SB 2340

Our competitive advantage has shifted from low cost of doing business as in low labor costs to manufacturers becoming more efficient and speed to market. Their customers are demanding the same quality products in much faster turnaround time.

The automation tax credit plays a significant role in this, enabling our manufacturers to maintain their competitive advantage. The tax credit they realize from this program is money they are reinvesting in their companies and employees. Automation isn't replacing jobs but in fact, is making better jobs out of existing jobs as the employees will receive promotions to operate automated equipment.

We have worked with small 2 person companies and large companies employing several hundred people so it can and is being used across the board.

I am currently working on a project with SJ Machine in Casselton where the automation tax credit will be of significant value to them. The existing equipment they have was built in the 1950's and they can no longer get replacement parts. They can't afford new equipment so they were looking at some equipment that was built somewhere in the '60's I believe, (doesn't really do much to solve their issue). The owner, Steve Loegering shared this information with me during a business visit I conducted with him several months ago.

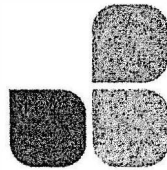
During that visit, I shared information on the automation tax credit program and what it can do for him, (basically a 20% tax credit on the cost of machinery to replace the existing machinery). Steve was very interested in it. To make a long story short, we worked with Department of Commerce, got approval for SJ Machine and we are working with them on an expansion that will include the purchase of equipment roughly ten years old to replace the 1950's equipment. In addition, we are working with them on constructing a new building which will more than double their space and employment base.

I thank you for your time and effort on this and urge you to support this important piece of legislation.

Sincerely,



Mark Vaux
Executive Vice President
GFMEDC



DEVELOPMENT
JAMESTOWN / STUTSMAN COUNTY

**Testimony of Connie Ova, CEO
Jamestown/Stutsman Development Corporation
In Support of SB 2340
April 1, 2015**

Representative Delzer and members of the House Appropriations Committee, I am Connie Ova, CEO of the Jamestown/Stutsman Development Corporation (JSDC) and vice president of the Economic Development Association of North Dakota (EDND). On behalf of JSDC, I would like to express our support for SB 2340, which would extend the income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. Jamestown/Stutsman Development Corporation (JSDC) is dedicated to area economic development growth and diversification and we believe that SB2340 aligns with that mission.

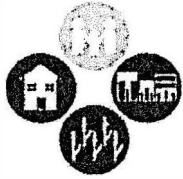
Jamestown and Stutsman County are very much agriculture dependent with a strong manufacturing base. We are home to United Technologies Aerospace (formerly Goodrich Cargo Systems); Duratech Industries International, Inc. (formerly Hay Buster Manufacturing) is a respected equipment manufacturer in the global marketplace; Midwestern Machine; Precision Results; WedgCor to name a few. Champ Industries, a Canadian company continues to improve and automate here in Jamestown. And, many other local companies too numerous to mention have and will benefit in the future with this credit.

The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating manufacturing processes. This tax credit promotes efficiencies and innovation in our North Dakota companies, which helps manufacturers increase productivity and address workforce challenges to gain market share and maximize global competitiveness.

Available to primary sector businesses, the income tax credit can be applied to purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The tax credit is equal to 20 percent of the qualified automation equipment purchase and is limited to \$2 million of aggregated tax credit per taxable year.

JSDC was organized to develop employment opportunities, improve business conditions and advance the City of Jamestown and Stutsman County's interests by implementing and sustaining an organized effort to attract new businesses and industry, support existing businesses and industry and encourage new business development. JSDC's focus is primary sector job creation.

Thank you for the opportunity to express our support for SB 2340. It enhances economic growth in the state, reduces the tax burden of growing businesses, reduces the state's outsourcing of manufacturing and permanently establishes a proven, vital tax incentive for manufacturers to automate and improve their facilities. It provides a "leg up" for our North Dakota companies.



New Rockford Area Betterment Corporation

P O Box 775 New Rockford, ND 58356 (701) 947-2205 www.cityofnewrockford.com

April 1, 2015

Representative Headland
House Finance and Taxation Committee

Dear Representative Headland,

Please accept this written testimony in support of SB2340. My name is Sarah Smith Warren, executive director of the New Rockford Area Betterment Corporation. We support community and economic development in our community. As a member of the Economic Development Association of North Dakota, I support the extension of the Automation Tax Credit.

Business incentives create a positive economic climate that directly impact cities, communities, tax base, job creation and retention, diversification and community development.

The Automation Tax Credit helps to ensure that manufacturing continues to be a productive industry in North Dakota. The Automation assists North Dakota companies to be more efficient and competitive.

The extension of the Automation Tax Credit will create more productivity, innovation and address workforce issues and will assist companies to be competitive. I encourage a DO PASS on SB2340.

Sincerely,

Sarah Smith Warren
Executive Director
New Rockford Area Betterment Corporation

April 1, 2015

Representative Delzer
House Appropriations Committee

Dear Representative Delzer and Committee Members:

Thank you for accepting this written testimony in support of SB2340. My name is JoAnn Rodenbiker, director of business development for Northern Plains Electric Cooperative. As a member of the Economic Development Association of North Dakota, I am providing my support for extension of the Automation Tax Credit.

EDND is the voice of the state's economic development community and views business incentives as investments that are targeted at the state and local level to encourage capital investment, property tax base expansion, job creation and retention, increased economic activity, diversification, and community development.

Automation helps ensure manufacturing continues to be a viable industry in North Dakota by helping North Dakota companies become more efficient and provide speed to market, a competitive advantage. SB2340, through the tax credit, helps address workforce needs at a time when many companies are struggling to find employees and automation can result in more highly-skilled workers, in higher paying positions.

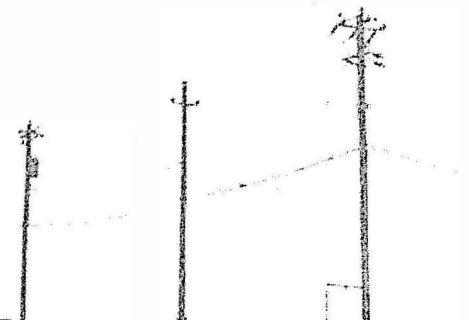
The extension of the Automation Tax Credit promotes innovation in our companies, increasing productivity and addressing workforce challenges, while allowing those companies to continue to gain market share. I encourage a DO PASS on SB2340.

Thank you.

Sincerely,

JoAnn Rodenbiker
Director of Business Development

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TESTIMONY
to the
North Dakota State House
Appropriations Committee

Thursday, April 2, 2015

RE: SUPPORT FOR SB 2340 relating to extending the Automation Tax Credit
PRESENTED BY: Jane P. Priebe, CEcD, Director, Wahpeton Economic Development

It is well known that many of our companies struggle to find people to fill technically skilled positions that keep a business competitive. Automation is the next best thing to addressing this issue and the tax credit supports capital investment in automation. This tax credit on automation equipment purchases will sunset in 2015 unless SB 2340 is passed. The bill removes the sunset clause, adds a "purchase lease" provision in the eligibility requirements, and allows more applications for the tax credit on a prorated basis.

Wahpeton's WCCO Belting is just one of many manufacturers in the state that understand automating manufacturing processes which can also lead to the need for higher-skilled technical positions. Our companies need to be competitive in this global market and need continue to innovate, improve, and become more efficient.

The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session. Wahpeton Economic Development is a member of EDND and we also SUPPORT SB 2340. **VOTE 'YES' ON SB 2340.**

Washburn Area Economic Development Association (WAEDA)

PO Box 608

Washburn, ND 58577

Dear Representative Delzer and Members of House Appropriations,

The Washburn Area Economic Development Association (WAEDA) encourages you to vote in support of SB 2340, the extension of the Automation Tax Credit.

WAEDA is the Washburn area economic development arm and views business incentives as investments that are targeted at state and local levels to encourage capital investment, job creation and better wages, increased economic activity and community development.

Automation helps the manufacturing industry grow and be more efficient. SB2340 helps address workforce needs in North Dakota and will help create higher-skilled jobs that pay better salaries.

Please consider DO PASS on SB2340.

Sincerely,

Rachel Retterath

Board Member, WAEDA



4837 Amber Valley Parkway
Fargo, ND 58104, USA
fax: 1 701 280 1642
phone: 1 701 297 9256
toll-free: 1 877 PURE-DNA
web: www.aldevron.com
email: DNA@aldevron.com

March 12, 2015

Chairman Headland
House Finance and Taxation Committee

Dear Chairman Headland and Committee Members,

Please accept this letter as my testimony in support of SB 2340. The continuation of the Automation Tax Credit will help support growth in employment and capital investment at our Fargo facility.

Aldevron is a global contract manufacturing company that specializes in the production of plasmid DNA, RNA, proteins and antibodies. Our products support cutting edge technology applications in the pharmaceutical and agricultural industries. We have production facilities in Fargo, Madison, WI; and Freiburg, Germany.

We compete daily with both domestic and international companies that operate in locations that have much larger biotech workforces, in some cases lower wage rates or other operating costs.

Extending the Automation Tax Credit will help us afford capital investments that will allow us address challenges associated with a tight labor market and a very competitive global marketplace. The credit incents greater efficiencies, higher product output, higher wages and stronger companies.

On behalf of Aldevron, I thank you for your service to our State and for your consideration of this bill.

Sincerely and respectfully,

Brian Walters
CFO



Peterson
Farms Seed

3104 164th Ave SE

Harwood, ND 58042

701-282-7476

866-481-7333

Fax 701-282-7554

www.petersonfarmsseed.com

Chairman Craig Headland
North Dakota House Finance and Taxation Committee
February 5, 2015

Dear Chairman Headland and committee members:

I am writing today in support of the Automation Tax Credit reauthorization, SB 2340.

Our little North Dakota company processes soybean seed for planting—largely by North Dakota farmers. Our raw product is also largely produced by North Dakota farmers. Our primary competitors are large out of state companies with capital resources many times what we can muster.

Nonetheless, as seed processing technology continues to rapidly evolve, to remain competitive, we must continually improve our processes.

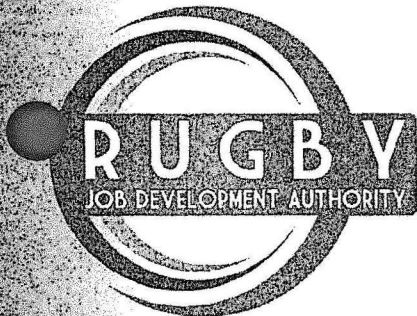
We are currently working on a very significant plant expansion with automated process that will help improve both quality and efficiency. Access to the Automation Tax Credit is crucial to helping us afford this large project.

There are many North Dakota companies in the same situation. Therefore, we strongly urge reauthorization of this vital economic development tool.

Thank you for your consideration.

Sincerely,

Carl Peterson, President
Peterson Farms Seed



PO BOX 136
126 2ND AVENUE SW SUITE 1
RUGBY, ND 58368

PH: 701-776-7655

FAX: (701) 776-5281

RUGBYJDA@GONDTC.COM

March 30th, 2015

Representative Craig Headland,
Chairman
House Finance and Taxation Committee
600 E. Boulevard Avenue
Bismarck, ND 58505

Dear Representative Headland and Committee Members:

My name is SyAnn Graber and I am the Director of Rugby Job Development Authority, Rugby, North Dakota. Thank you for accepting this written testimony in support of SB 2340.

It is extremely hard to recruit business and industry in Rural North Dakota and the state. The automation tax credit provides support for North Dakota manufacturing companies that invest in technology for the purpose of automating their manufacturing processes that will promote efficiencies and innovation in our North Dakota companies to increase productivity and more importantly address the workforce challenge we face here in Rugby and the state.

The extension of the Automation Tax Credit program is included in EDND's list of priorities for the 2015 Legislative Session. Rugby Job Development Authority is a member of EDND and we also support SB 2340.

On behalf of the Rugby Job Development Authority office I respectfully request that the Senate Finance and Taxation Committee support SB 2340

Thank you,

A handwritten signature in cursive script that reads "SyAnn Graber".

SyAnn Graber
Director, Rugby Job Development Authority



March 12, 2015

Chairman Headland
House Finance and Taxation Committee
Bismarck, ND

Dear Chairman Headland,

In 2013 Swanson Health Products received an Automation Tax Credit of \$121,645 for the purchase of \$608,225 in qualifying automation equipment purchases. The credit was helpful for the purchase of a robotic mini load for handling our inventory, which consists of 20,000 SKU's.

In 2014 we received a credit of \$36,745 for the purchases of \$183,729 in equipment. This helped provide us an automatic capper and labeler for our bottling line.

We urge you to extend the Automation Tax Credit past 2015. It has helped significantly in the affordability of these pieces of equipment we have purchased over the last two years.

Sincerely,

Joshua Jorgenson
Controller
Swanson Health Products, Inc.
701.356.2831
Josh.Jorgenson@swansonhealth.com

34

Swanson Health Products
4075 40 Avenue SW | Fargo, ND 58104
701.356.2700



March 6, 2015

Representative Craig Headland
Chairman
House Finance and Taxation Committee
600 E. Boulevard Avenue
Bismarck, North Dakota 58505

RE: (SB 2340) The Automation Tax Credit Extension

Dear Chairman Headland, House Finance and Taxation Committee Members,

I am writing on behalf of the Williston Economic Development office to express our full support of Senate Bill 2340.

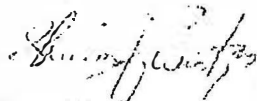
In Williston, the oil and gas operators in the Williston Basin face a higher break-even crude price due to higher costs and inefficiencies in the Bakken supply chain. On the other hand, we have regional manufacturers and logistics companies that can serve the oil and gas industry in a way that reduces costs and turn-around times as this market begins to mature.

To address this we have launched "The Bakken Supply Chain Initiative" aiming to reduce costs and increase efficiencies for Bakken operators, while expanding manufacturing and logistics business development in the Bakken region.

Therefore, our success within this initiative is dependent on the regional manufacturing base remaining competitive in the global market with the need to continue to automate and innovate. The automation tax credit extension helps ensure manufacturing remains a viable industry in North Dakota.

On behalf of the Williston Economic Development office I respectfully request that the Senate Finance and Taxation Committee support SB 2340.

Best Regards,



Shawn Wenko
Executive Director
Williston Economic Development

35

1
4-16-15

15.0991.04000

Prepared by the
North Dakota Office of State Tax Commissioner
April 15, 2015

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL 2340

That the Senate accede to the House amendments as printed on page 1320 of the Senate Journal and page 1485 of the House Journal and that Senate Bill No. 2340 as engrossed by the House be amended as follows:

Page 2, line 16, remove "The maximum credit that"

Page 2, remove line 17

Page 2, line 18, remove "dollars."

Page 2, line 23, remove the overstrike over "~~two~~"

Page 2, line 24, remove the overstrike over "~~million~~"

Page 2, line 24, remove "five hundred thousand"

Page 3, line 7, remove "The maximum credit that may be"

Page 3, remove line 8

Page 4, line 3, after "**DATE**" insert " – **EXPIRATION DATE**"

Page 4, line 3, replace "purchases made" with "the first three taxable years"

Page 4, line 4, after "2014" insert "and is thereafter ineffective"

Renumber accordingly

April 16, 2015

1.
4-17-15

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2340

That the Senate accede to the House amendments as printed on page 1320 of the Senate Journal and pages 1473 and 1474 of the House Journal and that Engrossed Senate Bill No. 2340 be further amended as follows:

Page 1, line 3, replace "economic development tax incentives created by the sixty-fourth legislative assembly" with "an income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes"

Page 1, line 4, after "57-38-01.33" insert "and subdivision r of subsection 7 of section 57-38-30.3"

Page 1, line 6, replace "and" with "to provide a statement of legislative intent;"

Page 1, line 6, after "date" insert "; and to provide an expiration date"

Page 1, remove line 10

Page 1, line 11, replace "assembly" with "Purchases of manufacturing machinery and equipment for automating manufacturing processes income tax credit"

Page 1, line 14, remove the overstrike over "~~(Effective for the first three taxable years beginning after December 31,~~"

Page 1, line 15, after "~~2012~~" insert "2014"

Page 1, line 15, remove the overstrike over the closing parentheses

Page 2, line 16, after the period insert "The maximum credit that may be claimed by a taxpayer under this section for a taxable year is ten thousand dollars."

Page 2, line 22, overstrike "two"

Page 2, line 23, overstrike "million" and insert immediately thereafter "five hundred thousand"

Page 2, line 24, after "purchase" insert "However, if the maximum amount of allowed credits are not claimed in any calendar year, any remaining unclaimed credits may be carried forward and made available in the next succeeding calendar year."

Page 2, line 25, replace "two million dollars" with "the amount available"

Page 2, line 26, remove "allowable amount of"

Page 3, line 3, after the period insert "The maximum credit that may be claimed by the entity under this subsection for a taxable year is ten thousand dollars."

Page 3, after line 24, insert:

"SECTION 3. AMENDMENT. Subdivision r of subsection 7 of section 57-38-30.3 of the North Dakota Century Code is amended and reenacted as follows:

- r. Automating manufacturing processes tax credit under section 57-38-01.33 (effective for the first ~~three~~five taxable years beginning after December 31, 2012).

SECTION 4. LEGISLATIVE INTENT REGARDING AUTOMATING MANUFACTURING PROCESSES CREDIT. It is the intent of the sixty-fourth legislative assembly that the income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes be one of the economic development tax incentives selected for analysis during the 2015-16 interim by the legislative management interim committee assigned the study responsibility under subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly."

1.2
SB 234
4-17-1

Renumber accordingly



JOHN DEERE

Deere & Company
801 17th Street, NW, Suite 200
Washington, D.C. 20006 USA
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Email: llesThomasE@JohnDeere.com

1.
SB 2340
4-21-15

Thomas E. Iles
Director, State Public Affairs
Public Affairs Worldwide

Beijing	Brussels
Cary	Des Moines
Moline	Moscow
Olathe	Pune
Sao Paulo	Washington

SB 2340: North Dakota – Automation Tax Credit

Position: John Deere supports the enactment of SB 2340 during the 2015 North Dakota Legislative Session which would make permanent the income tax credit for purchases of manufacturing and equipment for the purpose of automating manufacturing processes.

Background: After passing both the Senate and House, but with different versions, SB 2340 is currently under consideration in a Conference Committee to resolve the differences. The current law was established back in 2013 with the Automation Tax Credit being available for manufacturers for the first three years beginning after December 31, 2012.

Position Rationale:

- **Enhanced North Dakota Economic Growth:** SB 2340 would encourage business to expand and locate to the state by decreasing the tax burden when capital investments are made to automate facilities.
- **Outsourcing:** The Automation Tax Credit provides a key incentive for manufacturers to produce in North Dakota and not outsource product development to other areas of the United States or the world.
- **North Dakota State’s Budget:** SB 2340 contains an aggregate amount of tax credits to be capped by all claimants at no more than \$2 million per calendar year. This cap allows for sound budgeting principles for the state of North Dakota.
- **Tax Credit Protections:** The current refund process insures that only qualified automation equipment receives the credit.
- **Flexibility:** Management’s automation and expansion decisions can be based upon the economy and their respective markets for products and services.

Summary: The enactment of SB 2340 would significantly enhance economic growth in the state, reduce the tax burden of growing businesses, reduce the state’s outsourcing of manufacturing and permanently establish a proven, vital tax incentive for manufacturers to automate and improve their facilities.

Attachment: John Deere Presence in North Dakota

1.2
SP2340
4-21-15

John Deere Presence in North Dakota



Deere & Company (NYSE: DE) is a world leader in providing advanced products and services and is committed to the success of customers whose work is linked to the land - those who cultivate, harvest, transform, enrich and build upon the land to meet the world's dramatically increasing need for food, fuel, shelter and infrastructure. Since 1837, John Deere has delivered innovative products of superior quality, built on a tradition of integrity. For more information, visit John Deere at its worldwide website at www.JohnDeere.com.

John Deere Quick Facts

Net Sales & Revenues	>\$36 billion*
Employees	>59,000*
• U.S. & Canada	>29,000
Facilities	
• States	18
• Countries	36
Research & Development	-\$1.5 billion* (\$4.1 million/day)
<small>* Figures taken from Deere & Company Annual Report 2014</small>	

Who We Are in North Dakota

- **Employees**
 - >950 work as part of John Deere's major business operations
 - >850 live in the state
 - >80 retirees
- **Suppliers & Dealers**
 - >130 contracts (approximately \$77 million)
 - 47 dealerships

Facility Locations

Fargo - John Deere Electronic Solutions— Electronics Design & Mfg.

Valley City - John Deere Seeding Group—Air Seeding Equipment



• John Deere is a Power for Good



Deere & Company's corporate citizenship efforts continued making a meaningful impact in 2014 through support of citizenship activities, whose main focus includes solutions for world hunger, improved educational opportunities, and community development. John Deere employees also enriched their communities through extensive volunteer efforts which increased incomes and the standard of living for smallholder farmers in India and Sub-Saharan Africa. Deere also provided funding for programs focusing on science, technology, engineering and math (STEM) in communities in Brazil, India and the U.S. John Deere and the John Deere Foundation also made significant investments in our home communities worldwide to ensure their economic vibrancy for years to come. In all, our investments in 2014 improved the lives of more than 9.4 million people around the world.

• Protecting the Environment

John Deere is committed to reducing our environmental footprint worldwide. The company has established the following enterprise eco-efficiency goals to be achieved by 2018. These goals are designed to encourage improved performance and innovation, as well as raise internal and public awareness of our environmental stewardship:



Reduce Greenhouse gas emissions and energy consumption per ton of production 15% from 2012 through 2018.



Reduce water consumption per ton of production 15% from 2012 through 2018.



Increase amount of enterprise waste recycled to 75% of total waste by 2018.



Use life cycle engineering to create products and services that meet customer needs and

• Promoting Alternative Energy



John Deere supports utilization of biofuels as a method of increasing energy stability and independence, reducing greenhouse gas emissions, and generating agricultural and other rural economic opportunities throughout the world.

2,
4-21-15

Prepared by the
North Dakota Office of State Tax Commissioner
April 20, 2015

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL 2340

That the Senate accede to the House amendments as printed on page 1320 of the Senate Journal and page 1473 and 1474 of the House Journal and that Engrossed Senate Bill No. 2340 as be further amended as follows:

Page 1, line 3, replace "economic development tax incentives created by the sixty-fourth legislative assembly" with "the income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes;"

Page 1, line 6, after the semi-colon insert "to provide a statement of legislative intent;"

Page 2, line 16, remove "The maximum credit that"

Page 2, remove line 17

Page 2, line 18, remove "dollars."

Page 2, line 23, replace "The" with "For the 2015 calendar year, the"

Page 2, line 23, remove the overstrike over "two"

Page 2, line 24, remove the overstrike over "million"

Page 2, line 24, remove "five hundred thousand"

Page 2, line 24, overstrike "in any calendar year"

Page 2, line 25, after "purchase" insert "For the 2016 and 2017 calendar years, the aggregate amount of credits allowed each calendar year may not exceed one million dollars."

Page 3, line 7, remove "The maximum credit that may be"

Page 3, remove line 8

Page 4, after line 2, insert:

"SECTION 4. LEGISLATIVE INTENT REGARDING AUTOMATING MANUFACTURING PROCESSES CREDIT. It is the intent of the sixty-fourth legislative assembly that the income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes be one of the economic development tax incentives selected for analysis during the 2015-16 interim by the legislative management interim committee assigned the study responsibility under

subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly."

2.2
SB 2340
4-26-15

Page 4, line 3, after "DATE" insert " – EXPIRATION DATE"

Page 4, line 3, replace "purchases made" with "the first three taxable years"

Page 4, line 4, after "2014" insert "and is thereafter ineffective"

Renumber accordingly

3,
4-21-15

15.0991.04000

**FIRST ENGROSSMENT
with House Amendments
ENGROSSED SENATE BILL NO. 2340**

Sixty-fourth
Legislative Assembly
of North Dakota

Introduced by

Senators Campbell, Robinson, Sorvaag

Representatives Keiser, Mock, Steiner

1 A BILL for an Act to create and enact a new subdivision to subsection 3 of section 1 of Senate
2 Bill No. 2057, as approved by the sixty-fourth legislative assembly, relating to regular evaluation
3 of ~~economic development tax incentives created by the sixty-fourth legislative assembly~~ the income tax credit
4 for purchases of manufacturing machinery and equipment for automating manufacturing processes; to
5 amend and reenact section 57-38-01.33 and subdivision r of subsection 7 of section 57-38-30.3 of the North
6 Dakota Century Code, relating to an income tax credit for purchases of manufacturing machinery and
7 equipment for automating manufacturing processes; to provide a statement of legislative intent; to provide an
8 effective date; and to provide an expiration date.

9 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

10 **SECTION 1.** A new subdivision to subsection 3 of section 1 of Senate Bill No. 2057, as
11 approved by the sixty-fourth legislative assembly, is created and enacted as follows:

12 Any economic development tax incentive created by the sixty-fourth legislative
13 assembly.

14 **SECTION 2. AMENDMENT.** Section 57-38-01.33 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **57-38-01.33. (Effective for the first three taxable years beginning after December 31,**
17 **~~2012~~2014) Income tax credit for purchases of manufacturing machinery and equipment**
18 **for the purpose of automating manufacturing processes.**

19 1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against
20 the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing
21 machinery and equipment for the purpose of automating manufacturing processes in
22 this state. The amount of the credit under this section is twenty percent of the ~~costs~~
23 ~~incurred in the taxable year to purchase~~ cost of the manufacturing machinery and
24 ~~equipment for the purpose of automating manufacturing processes~~ purchased in the

3.2
S.R. 2340
4-21-15

- 1 taxable year. Qualified expenditures under this section may not be used in the calculation of
- 2 any other income tax deduction or credit allowed ~~by law~~ under this chapter.
- 3 2. For purposes of this section:
- 4 a. "Manufacturing machinery and equipment for the purpose of automating
- 5 manufacturing processes" means new or used automation and robotic
- 6 equipment.
- 7 b. "Primary sector business" means a business certified by the department of
- 8 commerce which, through the employment of knowledge or labor, adds value to a
- 9 product, process, or service that results in the creation of new wealth.
- 10 c. "Purchase" includes manufacturing machinery and equipment acquired under a
- 11 capital lease only for the taxable year in which the lease is executed. A capital
- 12 lease is a lease which meets generally accepted accounting principles. The
- 13 qualifying costs of the equipment acquired under a capital lease is the fair market
- 14 value of the equipment at the inception of the lease.
- 15 3. The taxpayer shall claim the total credit amount for the taxable year in which the
- 16 manufacturing machinery and equipment are purchased. ~~The maximum credit that~~
- 17 ~~may be claimed by a taxpayer under this section for a taxable year is ten thousand~~
- 18 ~~dollars.~~ The credit under this section may not exceed the taxpayer's liability as
- 19 determined under this chapter for any taxable year.
- 20 4. If the amount of the credit determined under this section exceeds the liability for tax
- 21 under this chapter, the excess may be carried forward to each of the next five
- 22 succeeding taxable years.
- 23 5. ~~The~~ For the 2015 calendar year, the aggregate amount of credits allowed under this section
- 24 may not exceed two million ~~five hundred thousand~~ dollars ~~in any calendar year~~. Credits subject
- 25 ~~to this limitation must be determined based upon the date of the qualified purchase~~ For the
- 26 2016 and 2017 calendar years, the aggregate amount of credits allowed each calendar year
- 27 may not exceed one million dollars. However, if the maximum amount of allowed credits are
- 28 not claimed in any calendar year, any remaining unclaimed credits may be carried forward and
- 29 made available in the next succeeding calendar year. If the aggregate amount of credits
- 30 claimed under this section exceeds the amount available in a calendar year, the tax
- 31 commissioner shall prorate the credits among the claimants.
- 32 6. If a taxpayer entitled to the credit provided by this section is a member of a group of
- 33 corporations filing a North Dakota consolidated tax return using the combined

33
SB 2340
4-21-15

1 reporting method, the credit may be claimed against the aggregate North Dakota tax
2 liability of all the corporations included in the North Dakota consolidated return.

- 3 7. A passthrough entity entitled to the credit under this section must be considered to be
4 the taxpayer for purposes of calculating the credit. The amount of the allowable credit
5 must be determined at the passthrough entity level. The maximum credit that may be
6 claimed by the entity under this subsection for a taxable year is ten thousand dollars.

7 The total credit determined at the entity level must be passed through to the partners,
8 shareholders, or members in proportion to their respective interests in the passthrough
9 entity. An individual taxpayer may take the credit passed through under this subsection
10 against the individual's state income tax liability under section 57-38-30.3.

- 11 8. The department of commerce shall provide the tax commissioner the name, address,
12 and federal identification number or social security number of the taxpayer approved
13 as qualifying for the credit under this section, and a list of those items that were
14 approved as a qualified expenditure by the department. The taxpayer claiming the
15 credit shall file with the taxpayer's return, on forms prescribed by the tax
16 commissioner, the following information:

- 17 a. The name, address, and federal identification number or social security number
18 of the taxpayer who made the purchase; and
19 b. An itemization of:
20 (1) Each item of machinery or equipment purchased for automation;
21 (2) The amount paid for each item of machinery or equipment if the amount
22 paid for the machinery or equipment is being used as a basis for calculating
23 the credit; and
24 (3) The date on which payment for the purchase was made.

- 25 9. Notwithstanding the time limitations contained in section 57-38-38, this section does
26 not prohibit the tax commissioner from conducting an examination of the credit
27 claimed and assessing additional tax due under section 57-38-38.

28 **SECTION 3. AMENDMENT.** Subdivision r of subsection 7 of section 57-38-30.3 of the North
29 Dakota Century Code is amended and reenacted as follows:

- 30 r. Automating manufacturing processes tax credit under section 57-38-01.33
31 (effective for the first ~~three~~five taxable years beginning after December 31, 2012).

32 **SECTION 4. LEGISLATIVE INTENT REGARDING AUTOMATING MANUFACTURING PROCESSES CREDIT.** It
33 is the intent of the sixty-fourth legislative assembly that the income tax credit for purchases of manufacturing

3.4
SB 2340
4-21-15

1 machinery and equipment for automating manufacturing processes be one of the economic development tax
2 incentives selected for analysis during the 2015-16 interim by the legislative management interim committee
3 assigned the study responsibility under subsection 3 of section 1 of Senate Bill No. 2057, as approved by the
4 sixty-fourth legislative assembly.

5 **SECTION 5. EFFECTIVE DATE – EXPIRATION DATE.** This Act is effective for ~~purchases made~~ the first
6 three taxable years after December 31, 2014 and is thereafter ineffective.

1.
4.23.15

15.0991.04000

Prepared by the
North Dakota Office of State Tax Commissioner
April 20, 2015

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL 2340

That the Senate accede to the House amendments as printed on page 1320 of the Senate Journal and page 1473 and 1474 of the House Journal and that Engrossed Senate Bill No. 2340 as be further amended as follows:

Page 1, line 3, replace "economic development tax incentives created by the sixty-fourth legislative assembly" with "the income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes;"

Page 1, line 6, after the semi-colon insert "to provide a statement of legislative intent;"

Page 2, line 16, remove "The maximum credit that"

Page 2, remove line 17

Page 2, line 18, remove "dollars."

Page 2, line 23, replace "The" with "For the 2015 calendar year, the"

Page 2, line 23, remove the overstrike over "~~two~~"

Page 2, line 24, remove the overstrike over "~~million~~"

Page 2, line 24, remove "five hundred thousand"

Page 2, line 24, overstrike "in any calendar year"

Page 2, line 25, after "~~purchase~~" insert "For the 2016 and 2017 calendar years, the aggregate amount of credits allowed each calendar year may not exceed one million dollars."

Page 3, line 7, remove "The maximum credit that may be"

Page 3, remove line 8

Page 4, after line 2, insert:

"SECTION 4. LEGISLATIVE INTENT REGARDING AUTOMATING MANUFACTURING PROCESSES CREDIT. It is the intent of the sixty-fourth legislative assembly that the income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes be one of the economic development tax incentives selected for analysis during the 2015-16 interim by the legislative management interim committee assigned the study responsibility under

subsection 3 of section 1 of Senate Bill No. 2057, as approved by the sixty-fourth legislative assembly.”

1.2
SR 2340
4-23-15

Page 4, line 3, after “DATE” insert “ – EXPIRATION DATE”

Page 4, line 3, replace “purchases made” with “the first three taxable years”

Page 4, line 4, after “2014” insert “and is thereafter ineffective”

Renumber accordingly