

FISCAL NOTE
Requested by Legislative Council
12/20/2016

Bill/Resolution No.: HB 1047

- 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.*

| | 2015-2017 Biennium | | 2017-2019 Biennium | | 2019-2021 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.*

| | 2015-2017 Biennium | 2017-2019 Biennium | 2019-2021 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).*

HB 1047 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 a business that the North Dakota Commerce Department certifies as a primary sector business. The credit is equal to 20% of the purchase price of automation and robotic machinery and equipment that is acquired to automate a manufacturing process. There is a ceiling on the total credits allowed in a year, which is \$500,000 for years after 2015. (The ceiling was \$2 million prior to 2016.) Starting with 2015, any credits not claimed under the ceiling roll over and raise the credit ceiling for the following year. The law sunsets at the end of 2017.

HB 1047 removes the sunset on the credit, which allows the credit for years after 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 annual ceiling on the credit was reached in both 2013 and 2014, the first two years of the program. Of the \$2 million of credits available for 2015, just under \$979,000 were claimed. The unclaimed credits rolled over, raising the credit ceiling for 2016 to \$1.521 million. Information on credit usage for 2016 and 2017 are not yet available. (The deadline for filing 2016 credit applications is January 31, 2017.)

HB 1047 makes the credit available in years after 2017, thereby affecting only the second year of the 2017-19 biennium. Based on the use of the program in its first three years, the enactment of HB 1047 could reduce state general fund revenues by an estimated \$500,000 for the second year of the biennium, which is the ceiling for 2018. (The rollover of unused credits, if any, from years prior to 2018 could increase the negative fiscal impact of this bill, but the amount of any unused credits is currently unknown and is not considered in this fiscal note.)

- 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: 701.328.3402

Date Prepared: 01/07/2017

2017 HOUSE FINANCE AND TAXATION

HB 1047

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

1047
1/9/2017
26666

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes.

Minutes:

Attachment #1, 2, 3

Chairman Headland: Opened hearing on HB 1047.

Vice Chairman Dockter: Introduced bill. This bill was first enacted in 2011 and effective for taxable years beginning in 2013. The perceived goal of the credit was to allow North Dakota manufacturing businesses remain competitive, to advance the manufacturing sector, and foster continued production in the labor constrained environment. The committee received testimony from the Tax Department and Commerce Department and learned that all \$2 million in available credits were awarded in calendar years 2013 and 2014 and \$978,000 in credits were awarded in calendar year 2015 for a total amount of \$4.9 awarded to 23 companies over the 3-year period. This committee recommends a bill to eliminate the sunset date attached to the manufacturing automation equipment income tax credit. Emily will give you more details.

Chairman Headland: Any questions? Emily, can you go through the bill draft?

Emily Thompson, Counsel, Legislative Council: Distributed a one-page summary of this credit. See attachment #1. This bill serves to remove the sunset date on this credit so the income tax credit for purchasing manufacturing machinery and equipment for automating and manufacturing process can continue. Most of the language you see is simply an overstrike on page 1, line 8, where you see the effective date that is removed so this will be continually available. The credit is 20% of the expenditures to automate a manufacturing process. There is also a five year carry forward period. If the taxpayer can't use the full amount of the credit they receive that year they can carry forward the excess for up to five additional years. The only other change is on page 2, section 5, where there is an overstrike on line 14. This was done to clean up the language. Last session the credit amount was changed. Previously the limit was \$2 million per year and last session the credit was lowered to \$500,000. Now it is at the \$500,000 and the credit will be continuous so we don't need the 2016-17 calendar

years; it's for all calendar years after 2015 that has the \$500,000 limit. The limit was discussed a bit in committee and you will receive some testimony from interested parties that encourage the committee to consider ways and get back up to that \$200 million cap; that was not taken up in this bill so there is no change there.

Chairman Headland: Are there any questions for Emily? Is there testimony in support of HB 1047?

Ellen Huber, Business Development and Communications Director for the City of Mandan and Vice-President of the Economic Development Association of North Dakota: Distributed testimony in support. See attachment #2. (Ended testimony at 6:58)

Chairman Headland: Are there any questions? Is there further testimony in support of HB 1047? Is there any opposition?

Representative Hogan: Will someone walk us through the fiscal note?

Matt Peyerl, Office of State Tax Commissioner: I believe it is \$500,000 for the total fiscal note. The reason you won't see it at \$1 million if it's \$500,000 per year is that current law already takes it through 2017. The removal of the sunset just has an impact of one year for this bill which is the second year of the biennium.

Representative Hogan: After this biennium it will be about \$1 million reduction a year?

Matt Peyerl: That is correct.

Chairman Headland: But that would only be \$1 million for the year if the million is available, right? If it was all used wouldn't it go back to \$500,000?

Matt Peyerl: It would be a million dollars a biennium. It's \$500,000 maximum per year so \$1 million per biennium assuming that it is all claimed. One feature of this tax credit that is a little unique is that if it's not all claimed there is a rollover provision that the unused portion gets added to next year's limit. The likelihood is probably a little bit higher that it gets used because you have multiple years to potentially purchase enough equipment to use it all.

Representative Mitskog: I see activity for 2013-14 but do you know how many corporations utilized this credit for 2015-16?

Matt Peyerl: The 2015 data is available and it should have been part of the data that Ms. Thompson spoke of. There were 23 total applicants over the three years and the total credits in 2015 were \$978,000. From 2015 the limit was \$2 million and \$978,000 was used. Since that was the first year the rollover provision kicks in there's \$1.2 million rolled over to 2016 in addition to the \$500,000. The 2016 limit is actually \$1.7 million because of that rollover provision.

Chairman Headland: Are there any other questions?

Representative Mitskog: I have a question for Commerce as to why it isn't being utilized.

Justin Dever, Co-Deputy Commissioner for the North Dakota Department of Commerce: I would just be speculating on why it isn't being used. For the first two years it was available the full \$2 million was used. There could be a potential that the companies utilized this program dependent on demand. Now there isn't as much demand as was utilized. We will know the 2016 information in a few weeks, by January 31, 2017. In 2015 it was well over the \$500,000 cap which is the current cap.

Chairman Headland: I find it a little odd that there's not a company here asking us to keep it. The only people here asking us to keep it is from Economic Development. Is there any explanation to that?

Ellen Huber: Cloverdale Foods Company submitted a memo in the interim session last summer. They shared information that there is more than five times the investment in new equipment in relation to the tax credit. From 2012 to 2016 it resulted in an increase in employment of 48 people. It is certainly helping stimulate additional economic activity throughout our state. They wanted to be on the record in support of removing the sunset and also hopeful that there could have been an increase in the amount of tax credits but is understanding of the state's current situation.

Chairman Headland: With that we will close the hearing on HB 1047.

Testimony in support was submitted by Valley Prosperity but was not present during the hearing. See attachment #3.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1047
1/17/2017
27011

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Bruckner

Explanation or reason for introduction of bill/resolution:

A bill relating to an income tax credit for purchases of manufacturing machinery and equipment for automating manufacturing processes.

Minutes:

No attachments

Chairman Headland: We're open for committee discussion.

Representative Steiner: I had supported this in the past but I called some of my constituents and told them this was something I couldn't support at this time because of the state's fiscal situation. I will be voting to remove the exemption.

Vice Chairman Dockter: We've all received several emails but there wasn't one company that came to testify in support of the credit. I'm going to support a do not pass.

Representative B. Koppelman: I received a few emails from my district. In testimony we heard from Economic Development that this potentially saved jobs as if someone was currently viable and would have gone out of business. Had I received one email to that affect it probably would have been something I could grasp. Most of the emails I received were from the wealthiest of people in Fargo-Moorhead who said they would automate if this credit was here. I couldn't find anything I could quantify this so I can't support continuation of this.

Representative Hogan: As I reviewed the information the thing that surprised me was the fact that there are only seven states that have this tax credit. In light of our financial situation I think it's time to say no.

Representative Ertelt: The struck language in this bill removes the sunset clause and this is supposed to end in 2017.

Chairman Headland: I believe the \$500,000 is all used up.

Matt Peyerl, Tax Department: The status of the sunset is with the current program is on the books for purchases made in 2016 through 2017. Right now there are some unused credits available from 2015 that rolled over to 2016 so the cap right now is \$1.5 million.

Application deadlines are due the end of January for those. If all \$1.5 million isn't used that will roll over to 2017 and be available in addition to the \$500,000. Each year has its own \$500,000 allotment but if there's unused credit from a prior year it gets rolled over and added to that \$500,000 preliminary cap. The fiscal note on this bill that removed the sunset had a \$500,000 price tag for 2018 for this biennium and it assumes it will all be used.

Chairman Headland: By the fiscal note there is \$1.5 million available credits for 2016?

Matt Peyerl: That's correct but it's really not part of the fiscal note for this biennium because existing law has already accounted for that having been spent for 2016 and also has already accounted for \$500,000 assigned to 2017 purchases. If this were repealed December 31, 2016 it would have a positive impact of \$500,000 because the \$500,000 already allotted for 2017 is current law.

Chairman Headland: Is there a possibility that somebody has ordered equipment that would be looking forward to the use of some of that \$500,000 that is already on the books?

Matt Peyerl: Moving the date and repealing it effective December 31, 2016 would make the fiscal note a positive \$500,000. It would be speculation if somebody knew that the sunset was already beyond 2017. There are no problems with constitutionality of changing tax rates, deductions, increasing or decreasing back to the tax year because the tax year hasn't yet closed.

Chairman Headland: With that being said I think we would be foolish not to move the date back.

Matt Peyerl: Prior fiscal notes already assumed it would all be spent. I believe there is \$4 or \$5 million available for 2016 purchases. At the end of January, we will know how much of that was accounted for or was claimed. If only \$1.2 million of that was claimed there would potentially be another \$400,000 of unclaimed credit that if it ceased prematurely would also get added to a positive impact of a fiscal note because all of that was assumed spent and if unspent would roll over to another year to be spent. That rollover provision is kind of unique.

Chairman Headland: Which was a unique thing Appropriations put together after we passed the bill to them last session.

Representative Hogan: Assuming we discontinue this credit what happens to all that rollover money?

Matt Peyerl: The cap is \$500,000 and if only \$400,000 was claimed the roll over ends also with the sunset; it can't exist beyond the sunset even though there is roll over available.

Representative Hogan: The old roll over.

Matt Peyerl: That would be the case if all that happened. The way the current law is that it doesn't cease until the end of 2017 so it is not knowable. The fiscal notes that apply to this bill in the past assumed full usage because in the first few years of the program there was full usage.

Representative B. Koppelman: You have a couple options here; if the bill goes out with a do not pass and the floor votes with us then that ends the issue, but if we wanted we could attempt to try something else. I have a concern about trying to go backwards but I would be a lot more favorable if we were to change that date to something in the future. We could also eliminate the roll over provision. Whatever wasn't claimed for 2016 would get turned back then limit the roll over provision to \$500,000 in 2017.

Representative Trottier: Can you tell us exactly how much has been used for the tax credit?

Matt Peyerl: It was a \$2 million cap in 2013, 2014 which was all used and \$2 million cap in 2015 which was half used so then the remainder was added \$500,000 in the 2016 cap so \$1.5 cap in 2016. Applications aren't due until the end of January.

Representative Hatlestad: If we put a stop on June 30 then anything not used up to that point is gone, correct?

Matt Peyerl: It isn't known until that full period is done.

Chairman Headland: This is an income tax credit on the person's tax year who is earning the credit.

Representative Ertelt: I believe when those incentives are given private industry makes plans based on law. I'd be hesitant to roll back the date to December 31, 2016 because there may well be plans made and applications planned by the end of December and into 2017. I would favor leaving the sunset clause as it is in the bill to expire or potentially moving that up to the end of this current biennium.

Vice Chairman Dockter: I think we go forward with a do not pass and not do anything with the dates and move forward with having this credit.

Representative Steiner: Don't they compete for that pool?

Matt Peyerl: That was exactly correct for 2013, 2014 and 2015 but then there was a change made in 2015 where if the cap was met all applications were considered and got prorated based on how much their purchase was as opposed to the cap.

Representative Hatlestad: If we have a do not pass and do not play with the dates when would that tax credit end?

Matt Peyerl: It will continue on with the previously set sunset, December 31, 2017.

Chairman Headland: What are the wishes of the committee?

Representative Steiner: MADE A MOTION FOR A DO NOT PASS

Representative Ertelt: SECONDED

Chairman Headland: Any discussion?

ROLL CALL VOTE: 13 YES 0 NO 1 ABSENT
MOTION CARRIED

Representative Grueneich will carry this bill

Date: 1-17-17
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1047**

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. Steiner Seconded By Rep. Ertelt

| Representatives | Yes | No | Representatives | Yes | No |
|---------------------------|---------------|----|------------------------|-----|----|
| Chairman Headland | ✓ | | Representative Hogan | ✓ | |
| Vice Chairman Dockter | ✓ | | Representative Mitskog | ✓ | |
| Representative Ertelt | ✓ | | | | |
| Representative Grueneich | ✓ | | | | |
| Representative Hatlestad | ✓ | | | | |
| Representative Howe | ✓ | | | | |
| Representative Koppelman | AB | | | | |
| Representative Olson | ✓ | | | | |
| Representative Schobinger | ✓ | | | | |
| Representative Steiner | ✓ | | | | |
| Representative Toman | ✓ | | | | |
| Representative Trottier | ✓ | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Grueneich

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

REPORT OF STANDING COMMITTEE

HB 1047: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1047 was placed on the Eleventh order on the calendar.

2017 TESTIMONY

HB 1047

ECONOMIC DEVELOPMENT TAX INCENTIVE STUDY - AUTOMATION TAX CREDIT

Pursuant to North Dakota Century Code Section 54-35-26, created by 2015 Senate Bill No. 2057, a variety of economic development tax incentives are to be reviewed by a Legislative Management interim committee over the ensuing six-year period. The study is aimed at ensuring that economic development tax incentives are serving their intended purposes in a cost-effective and equitable manner. This memorandum has been provided to assist in the review of the automation tax credit and provides an explanation of the incentive, the perceived goals of the Legislative Assembly in creating or altering the incentive, and the data and testimony that will be required to conduct an effective analysis of the incentive.

EXPLANATION OF THE AUTOMATION TAX CREDIT

Section 57-38-01.33 provides for an income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating a manufacturing process in this state. The incentive is available to any income taxpayer certified by the Department of Commerce as a primary sector business. A primary sector business is defined as a business that employs knowledge or labor to add value to a product, process, or service that results in the creation of new wealth. The credit is equal to 20 percent of the cost of the manufacturing machinery and equipment purchased in the taxable year for purposes of automating a manufacturing process. Qualified expenditures for purchases of manufacturing machinery and equipment used to calculate the automation tax credit may not be used to calculate any other income tax deduction or credit allowed under Chapter 57-38.

For purposes of Section 57-38-01.33, qualifying manufacturing machinery and equipment means new or used automation and robotic equipment. A qualifying purchase of manufacturing machinery and equipment includes items acquired under a capital lease, but only for the taxable year in which the lease was executed. For purposes of calculating the credit, items acquired under a capital lease will be valued at fair market value at the time the lease was executed. The credit must be claimed in the taxable year in which the manufacturing machinery and equipment was purchased and the amount of the credit claimed may not exceed the taxpayer's income tax liability. Any credit amount exceeding a taxpayer's liability may be carried forward to each of the five succeeding taxable years.

For calendar year 2015, the aggregate amount of credits allowed may not exceed \$2 million. For calendar years 2016 and 2017, the aggregate amount of credits allowed may not exceed \$500,000 in each calendar year. Any credits left unclaimed at the end of a calendar year may be carried forward for dispersal in the succeeding calendar year. If a claim for credits is made in excess of the statutorily available amount, the Tax Commissioner shall prorate the available credits among all claimants. If a taxpayer entitled to the credit is filing a consolidated return, the taxpayer may claim the credit against the aggregate North Dakota tax liability of all corporations included on the consolidated return. A passthrough entity entitled to the credit must be considered the taxpayer for purposes of the credit and the amount of credit allowed must be determined at the passthrough entity level.

The Department of Commerce must provide the Tax Commissioner the name, address, and federal identification number or social security number of each taxpayer approved as qualifying for the credit. The Department of Commerce also must provide the Tax Commissioner with a list of any items approved as qualified expenditures. The taxpayer must provide the Tax Commissioner the name, address, and federal identification number or social security number of the taxpayer making the purchase as well as a list of each item of machinery or equipment purchased for purposes of automation, the amount paid for each item, and the date on which payment for the item was made. This information must be provided with the taxpayer's return.

PERCEIVED GOALS OF THE LEGISLATIVE ASSEMBLY IN CREATING OR ALTERING THE AUTOMATION TAX CREDIT

Provisions regarding an automation tax credit first appeared in 2011 Senate Bill No. 2055, which failed to pass. Senate Bill No. 2055 contained provisions for an automation credit and a lean manufacturing credit and was advanced by the 2009-10 interim Workforce Committee as a result of the committee's study of technology-based entrepreneurship and economic development best practices. The language creating the automation tax credit was ultimately amended into and passed in 2011 Senate Bill No. 2057, which created a corporate and individual income tax credit for purchases of manufacturing machinery and equipment used to automate a manufacturing process. The credit was equal to 20 percent of the costs incurred and the aggregate amount of credits allowed for all taxpayers was capped at \$2 million in any calendar year. The credit was made effective for the future tax years of 2013 through 2015. Upon a review of the legislative history relating to both bills, the perceived goals of the Legislative Assembly in creating this credit were to allow North Dakota manufacturing businesses to remain competitive, to advance the manufacturing sector, and to foster continued production in a labor constrained

environment. The estimated fiscal effect of the automation credit could not be determined during the 2011 legislative session.

The only other change made to Section 57-38-01.33 occurred through the passage of 2013 House Bill No. 1106. The bill served to streamline the lengthy description of a passthrough entity by providing a definition of the term at the outset of the income tax chapter.

DATA AND TESTIMONY REQUIRED TO CONDUCT AN EFFECTIVE ANALYSIS OF THE AUTOMATION TAX CREDIT

The interim Political Subdivision Taxation Committee identified various items of data and testimony which would need to be collected to effectively analyze the automation tax credit. The following list identifies the information the committee sought to collect and the receipt of that information throughout the course of the 2015-16 interim.

1. The number of claimants and the fiscal impact of the incentive.
 - Information (Appendix A) provided to the Political Subdivision Taxation Committee by the Tax Department on December 2, 2015, indicated the number of individual income tax returns on which the credit was claimed and the total amount claimed is as follows:
 - In tax year 2013, a total of \$778,244 was claimed over 49 returns; and
 - In tax year 2014, a total of \$554,060 was claimed over 37 returns.
 - The number of corporate income tax returns on which the credit was claimed and the total amount claimed is as follows:
 - In tax year 2013, no claims for the credit were made; and
 - In tax year 2014, the total amount claimed cannot be disclosed due to confidentiality restrictions as the credit was claimed on fewer than five returns.
2. The use of similar incentives in other states.
 - Incentives similar to this state's automation tax credit (Appendix B) were found in seven other states.
3. Employment opportunities, business growth, or diversity in the state's economy resulting from the availability of the incentive.
 - Information (Appendix C) pertaining to this item was provided by the Department of Commerce on September 13, 2016.
4. Negative impacts created as a result of the incentive.
 - The committee did not receive information pertaining to negative impacts created as a result of the incentive.
5. Benefits that flow to out-of-state concerns resulting from the incentive.
 - The committee did not receive information pertaining to benefits that flow to out-of-state concerns resulting from the incentive.
6. Testimony from interested parties.
 - The following parties provided testimony in support of retaining the automation tax credit.
 - The Economic Development Association of North Dakota (Appendices D and E).
 - Mr. Mark Vaux, Executive Vice President, Greater Fargo/Moorhead Economic Development Corporation.
 - Testimony was not received from parties in opposition to retaining the automation tax credit.

ATTACH:5



#2 p. 1 of 2
HB 1047
1-9-17

**Testimony of Ellen Huber
Economic Development Association of North Dakota
In Support of HB 1047
House Finance and Taxation Committee
January 9, 2017**

Chairman Headland and members of the House Finance and Taxation Committee, my name is Ellen Huber, business development and communications director for the City of Mandan and vice-president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support of HB 1047, which removes the sunset for the manufacturing automation tax credit.

The automation tax credit, which originally came out of the 2009 Interim Workforce Committee, was designed to provide support for North Dakota manufacturing companies that invest in technology for the purpose of automating the manufacturing process. The program has been successful in aiding North Dakota manufacturers in gaining market share and increasing their competitiveness through automation.

The automation tax credit is important to primary sector businesses challenged to recruit and retain skilled workforce while remaining competitive nationally and internationally. Investment in innovative equipment can mean the difference between retaining a business or having it close or move elsewhere or the difference between status quo and an expansion. Many businesses in Mandan have used or have expressed interest in using the automation tax credit for equipment upgrades. These include Cloverdale Foods Company, a meat processing company; True North Steel, which manufactures tanks and a variety of steel structures; and L&H Manufacturing, which makes branding irons sold worldwide.

Many other major manufacturers in North Dakota, including John Deere, Bobcat and Doosan, Baker Boy and Steffes Corporation, have spoken to the importance of the automation tax credit in driving investments in North Dakota facilities to help businesses grow and bring jobs to the state. Both oral and written testimony was provided by many other North Dakota manufacturing companies in support of the bill during the 2015 Legislative Session and 2015-2016 Interim, which include Aldevron, Dakota Turbines, Impact Dakota, Killdeer Mountain Manufacturing, Norther Plains Electric Cooperative, Peterson Farm Seed, Pivotal Edge, Inc., Precision Machine and Welding, Inc., Swanson Health Products, and WCCO Belting.

#2 p. 2
HB 1047
1-9-17

This tax credit supports capital investments in automation, which provides companies with the ability to support current and new markets and continue to compete on a global scale. We urge the committee's support for removing the 2017 sunset to allow for the further use of this program.



January 9, 2017

Dear Chair & Committee Members House Finance and Tax Committee;

The Valley Prosperity Partnership would like to request your consideration on HB 1047. In the Red River Valley we are experiencing a major problem in both retaining and attracting Industry. The one reason causing this problem is the lack of a skilled and trained workforce to meet industry needs.

With unemployment numbers in the 2.1 to 2.5 range we do not have the workforce to guarantee a company's ability to grow to meet market demands. To be able to offset this deficit we as a community and State need to provide industry with the capability of investing in automation to meet increased demand.

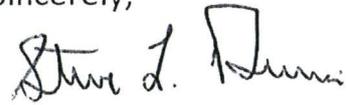
With the cost of automation and robotics being expensive it is imperative to offer a tax incentive to industry to make that investment in North Dakota versus other facilities they might have across the country!

We believe the current HB 1047 isn't enough for the 2017-19 biennium to help incentivize industry to make their investments in North Dakota. We would request at a minimum the yearly allocation be raised to \$1,000,000.

Knowing the financial constraints, the State is experiencing, it is important to state, this program requires no allocation of State dollars, this is a sharing of tax increases with industry when they make investments in North Dakota. In the end, the more Industry invests in Automation the more taxes they will pay to the state, so we need to incent as much investment as possible.

We sincerely appreciate your consideration on this very important program!

Sincerely,


Steve Burian, Co-Chair
Valley Prosperity Partnership


Tammy Miller, Co-Chair
Valley Prosperity Partnership