

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/14/2019**

Bill/Resolution No.: HB 1475

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 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 1475 creates a new income tax deduction for individuals whose employers include higher education expense reimbursements in their taxable wages.

- 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.*

Section 1 of HB 1475 creates a new individual income tax deduction. If an employer reimburses an employee's expenses for higher education or career and technical education, and if the reimbursement is included in the employee's taxable wages, the employee is allowed to deduct the reimbursement from North Dakota taxable income.

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.*

If enacted, HB 1475 may reduce state general fund revenues for the 2019-21 biennium. The amount of the reduction, if any, cannot be determined because it is not known to what extent employers will make reimbursements meeting the bill's criteria.

- 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 Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 01/26/2019

**2019 HOUSE FINANCE AND TAXATION**

**HB 1475**

# 2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1475  
1/29/2019  
31668

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker

## Explanation or reason for introduction of bill/resolution:

A bill relating to an income tax exclusion for employee education assistance provided by an employer.

**Minutes:**

Attachments 1-3

**Chairman Headland:** Opened hearing on HB 1475.

**Representative Mitskog:** Introduced bill. This bill is about tuition reimbursement made by employers to employees. It would allow for a tax exemption by the employee. I was troubled to learn students were being taxed for this benefit. This bill would allow for the deduction of the reportable income that the employer is reimbursing for the education expenses. It would include both four-year and two-year institution or technical programs. It's only for the state component of the income tax. Employers are eager to recruit and retain skilled workers in a tight labor market. They have many reasons to expand their benefit package to include assistance in helping employees repay their student loans.

**Chairman Headland:** Is there further support?

**Donald Shilling, Chairman of General Equipment and Supplies, Inc.:** Distributed written testimony from himself as well as written testimonies from Titan Machinery, Wallwork Truck Centers, North Dakota Implement Dealers Association, and Butler Machinery, see attachments 1-2. Ended testimony at 7:10.

**Representative Dockter:** How many employees are you looking for a year in your program for the tuition reimbursement?

**Donald Shilling:** Our company recruits about eight diesel technicians annually which fills our turnover rate. We are one of about 26 John Deere dealers and there are Titan Machinery who all have partnerships at NDSCS. Of approximately 300 diesel technicians at NDSCS about half of them are involved in partnership programs which would probably entail tuition reimbursement. When the other half are recruited by an employer out of the partnership program they will probably be offered a tuition reimbursement.

**Representative Mitskog:** How do the employees respond when Human Resources tells them their benefit will be taxed?

**Donald Shilling:** We try to soften the blow by the way we do the withholding. When we pay the monthly payment it's the second pay period of the month and we pay the FICA, Medicare, and take a minimal amount for state and federal taxes so it impacts them the least. When they pay their year-end taxes they are going to get taxed at the full amount. They are typically in a lower income bracket at that age so it impacts them low but it still impacts them. They still have to make their student loans.

**Representative B. Koppelman:** If you were paying for someone to get trained are those workers taxed on what you've paid on their behalf?

**Donald Shilling:** It would be dependent on the type of training we're looking at. We're not paying for the student's tuition up front. All the dealers wait until the students graduate then the reimbursement program kicks in but then it becomes taxable.

**Representative Kading:** Do you think it's unfair for the student who pays as they go and works through college paying taxes while their friend who didn't pay for college up front gets a deduction for the cost of their education?

**Donald Shilling:** We're looking to reimburse skilled positions that are hard to come by right now. There is a shortage in workforce. When you're dealing with other types of educational processes it's true that a student going through a four-year college won't realize tax benefits but a student that goes through a critical trade area we need to do something not only to train them but to keep them. A person graduating from NDSCS with a two-year degree in diesel could move to any state in the nation and work.

**Representative Kading:** Couldn't you just pay them more then if there's such a shortage? Why does the state have to foot the bill on not collecting taxes on that portion of the income?

**Donald Shilling:** We are paying over the going rate. We pay above rate for the person after they graduate in addition to reimbursing their tuition over a three-year period. We are paying a premium for that. I'm not looking for it to benefit General Equipment I'm looking for it to benefit the student that we want to retain in North Dakota. I thought that was the name of the game this year to retain our citizens in the state.

**Chairman Headland:** I'm not completely clear. I know we're doing this in other trades as well. I'm not sure if they are being W2d for the amount of the cost of what is being provided. I think we need to investigate this a bit.

**Donald Shilling:** There are other ways to set up a foundation type arrangement and make payments to the student that would not be taxable but in our case all our employees would lose some flex benefits. It might work for a governmental entity or a nonprofit but for what it takes for us to keep and retain employees we need to have that available for all our employees.

**Chairman Headland:** Further testimony in support?

**Russ Hanson, Association of General Contractors in North Dakota:** Distributed written testimony, see attachment #3. Mr. Shilling did a great job with illustrating the workforce needs that our industry has in keeping those folks home. If this would assist in those workforce development needs and if the state can afford it, we are supportive of the effort.

**Vice Chairman Grueneich:** I heard there is some legislation regarding workforce incentives with cutting edge technology. Do you feel like what Mr. Shilling is doing could be possibly incorporated into that? It might take care of the tax burden and yet they are already a willing participant.

**Russ Hanson:** The end result is the option and if that can be done with what is sought here in a combination effort then you should look at all options.

**Chairman Headland:** Further testimony in support? Is there opposition?

**Representative B. Koppelman:** Is it a correct assumption that any money that is directly paid to an institution by a business is a deduction for them and the student isn't taxed on that if it was paid on their behalf?

**Joe Becker, Tax Department:** We need to be careful because there are a lot of rules out there. In general, any payment by an employer to an employee whether it's direct to an employee or on their behalf could be a taxable event. We have to look to see if there are any exclusions under federal law that would take it out of their income. There are some educational type exclusions.

**Representative B. Koppelman:** The training that is gained is directly necessary for an employee of a company in order to obtain and be qualified for that job.

**Joe Becker:** In general the business is paying reimbursing costs whether directly or indirectly so generally that will be a wage to the employee. There is a \$150 exclusion allowed under federal law but the employer would have to set up an accountable plan for that to work. That may or may not work with Mr. Shilling's situation. It can get complicated depending on what you're looking at.

**Representative B. Koppelman:** If we were to pass this bill as written it would create a \$100 benefit per year to the employee. If they are receiving about \$400 a month x 12 months equals \$4,800 and 2% of that for an average tax rate is about \$100 benefit. Even if we pass that they are still likely to pay federal tax on that \$4,800, correct?

**Joe Becker:** The premise of the bill is even if that is taxed as a wage at the federal level then the state will grant the exemption at the state level. Your calculation is correct. We're working with .1 to 2.9 cents on the dollar for each dollar.

**Representative Mitskog:** At the federal level, have you heard of any progress on legislation on eliminating the federal liability of these contributions?

**Joe Becker:** I'm not familiar with that.

**Chairman Headland:** Do we know how expansive this could get? Do we have other situations where college students are in a trade school setting are working for companies? Right now we seem to be talking about diesel mechanics but could it extend to nursing or something else?

**Joe Becker:** We don't know to what extent this would be used. There are many businesses using accountable plans where this wouldn't come into play at all. Any business can implement an accountable plan like this. There are rules to follow in setting up cafeteria plans and things like that which offers these fringe benefits.

**Representative Kading:** If I'm self-employed and have student loans, if this bill passes could I start to pay for my tuition and deduct that expense?

**Joe Becker:** I'm not sure this bill is addressing what you're asking. If they have a student loan they are repaying? However it's done, the employer has the privilege of paying or reimbursing the employee, that's the employer's choice. The question becomes what are the tax implications of doing that regardless of whether there is a loan behind that.

**Representative Kading:** Under this bill the employee, if it meets the criteria here, would get to deduct that and not pay taxes on that compensation.

**Joe Becker:** This bill is saying if the employer is reimbursing the education costs of an employee and if that reimbursement is taxable under federal law and becomes part of their wages you can take a deduction for that on the state return to remove it from taxable income.

**Representative Kading:** If I was self-employed I could pay myself and deduct it under state?

**Joe Becker:** No, in a sole proprietorship you cannot unless you hire someone other than yourself. The owner is the owner, not the employee.

**Representative Kading:** You can be an employee of your own company.

**Joe Becker:** Not if it's a sole proprietorship.

**Representative Kading:** If you have partners.

**Joe Becker:** Understood. If there's a business entity they are certainly.

**Chairman Headland:** Is there anything further? Seeing none we will close the hearing on HB 1475.

# 2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1475  
1/29/2019  
31735

- Subcommittee  
 Conference Committee

Committee Clerk: Mary Brucker

## Explanation or reason for introduction of bill/resolution:

A bill relating to an income tax exclusion for employee education assistance provided by an employer.

Minutes:

No attachments

**Chairman Headland:** I feel for a young student who finds themselves with a tax liability. It really doesn't cost much. I think it's something we could do in the workforce arena that might be helpful.

**Representative Dockter:** We always talk about the shortage in workforce. This is a bill that can also help with that as well as Vice Chairman Grueneich's bill. **MADE A MOTION FOR A DO PASS**

**Vice Chairman Grueneich: SECONDED**

**Chairman Headland: Discussion.**

**Representative Kading:** I'm going to resist this motion. I feel we are being unfair to the person who is being frugal and properly planning for college. That individual has to pay taxes on their education costs. An individual coming out of college with debt, gets a job, gets student reimbursement from their employer and they don't have to pay tax on that reimbursement which I feel is unfair. I believe we are incentivizing additional student debt. I don't think we should have the state pay for particular incentives for employers.

**Representative Mitskog:** Our students are carrying extremely large debt and programs like this will be beneficial. There are a lot of students going after four year degrees and I think this is a good thing for our students. You have willing employers with jobs that need to be filled. They are working with young people and directing them to jobs that are available in North Dakota. I think this is a good thing for our students and is a way to encourage them to look at technical, two-year, and high demand types of jobs.

**Representative B. Koppelman:** Is this a tax deduction and not a tax credit?

**Dee Wald, General Counsel for the Office of State Tax Commissioner:** You are correct, this is a deduction, not a credit.

**Representative Dockter:** We talk about fair and unfair, tax policy isn't. Some believe this is a great deduction but if it doesn't benefit then it's a terrible deduction. I'm trying to vote on what the best policy is for North Dakota and I honestly think this bill could help our workforce. It's frustrating when people say it's unfair because it doesn't work out for their particular reason. We have to get over that because sometimes tax policy isn't fair, some may get the benefit while others don't. As lawmakers we have to try and do what's best for the people as a whole and not just for what your personal preferences are.

**Representative B. Koppelman:** I am going to support this bill. Having employers partner with students to help fill a need in the state and help control student loan debt is an important step. I like that this is a deduction and not a credit.

**Representative Ertelt:** I'm going to resist the motion for a do pass because the employer in this case already has a benefit otherwise he wouldn't be offering to pay for the education of the student. If they want to retain the employee, they can simply write that into their contract. I don't think they need an added incentive to do it. There are employers who don't employ people with college educations so are we giving them the same benefit? I think we're advantaging those who require degreed individuals to work for them.

**Representative Trottier:** Is it just technical schools? If you're going to NDSU and you get a part-time job with a farmer while you're going to college then afterwards you stay and help that farmer for a few years then can the newly hired deduct that?

**Representative Mitskog:** This is actually a deduction for the employee/student that's been hired. I suppose a farmer could participate. It's just a contribution to the salary of that employee to offset the payoff to their student loan debt.

**Representative Trottier:** If a student goes home for the summer and works for three months for his father then graduates and comes home and works for his father, can that student deduct that?

**Representative Dockter:** The answer would be no unless he paid for college. He would take the deduction on his tax return then the employee would get it.

**Dee Wald:** If you qualify for a federal program the employee's income would not be taxable but if you don't set up the program that way then the employee has taxable income.

**Representative Hatlestad:** Any employer that offered the benefit would get the deduction as a business expense? Then anybody working for such an employer would get the tax break?

**Dee Wald:** Correct.

**Representative Hatlestad:** It's not just the heavy equipment or two-year critical position, it can be anybody that offers the benefit then both sides get it?

**Dee Wald:** The way it is written, yes. Expenses for higher education and career technology.

**Representative Mitskog:** This bill is just relating to the employee?

**Dee Wald:** Correct.

**Representative Toman:** I'm trying to figure out how we're tracking those directly related expenses, is that through the federal program?

**Representative Dockter:** That's up to the employer and what they want to pay for expenses. When they pay it back they are getting taxed on it. Currently you would have to put it on your W2 as income yet receiving the education benefits from the employer.

**Representative Toman:** So the employer is the one providing that information?

**Representative Dockter:** That's correct because they will be adding that on the W2 then they will be on the state form and then the student will be able to get the deduction.

**Representative B. Koppelman:** If you look at what we spend on higher education and what we spend on those who drop out the state probably funds about a third of the cost of each one of those credits they take. The more we can pair people up with careers and get the proper training this could yield in a cost savings. I hope we pass the bill.

**Representative Dockter:** If you join the National Guard your GI bill is tax free and you have a tuition waiver so the state is already incentivizing people who join the military. They have the same parameters as Mr. Shilling where they can't drop out of school then they get the tuition waiver.

**Chairman Headland:** Is there anything else?

**ROLL CALL VOTE: 9 YES 5 NO 0 ABSENT**  
**MOTION CARRIED**

**Representative Dockter will carry this bill.**

Date: 1-29-19  
Roll Call Vote #: /

2019 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES 1475  
BILL/RESOLUTION NO. \_\_\_\_\_

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  
 Reconsider Other Actions:  \_\_\_\_\_

Motion Made By Rep. Dockter Seconded By Rep. Grueneich

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson	✓	
Vice Chairman Grueneich	✓		Representative Mitskog	✓	
Representative Blum	✓				
Representative Dockter	✓				
Representative Ertelt	✓	✓			
Representative Fisher	✓				
Representative Hatlestad	✓				
Representative Kading	✓	✓			
Representative Koppelman	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 9 No 5

Absent 0

Floor Assignment Rep. Dockter

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

**REPORT OF STANDING COMMITTEE**

**HB 1475: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends  
**DO PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1475 was placed  
on the Eleventh order on the calendar.

**2019 SENATE FINANCE AND TAXATION**

**HB 1475**

# 2019 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Lewis and Clark Room, State Capitol

HB 1475  
3/6/2019  
Job #33277

- Subcommittee  
 Conference Committee

Committee Clerk: Alicia Larsgaard

## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax exclusion for employee education assistance provided by an employer; and to provide an effective date.

Minutes:

Attachments: 5

**Chairman Cook:** Called the hearing to order HB 1475.

**Representative Alisa Mitskog, District 25:** Introduced the bill. See attachment #1.

**Senator Unruh:** I just pulled up the fiscal note. Do you have some figure on how much it would impact the individual that would be able to take advantage of this?

**Representative Mitskog:** We need to keep in mind that the individual employee would be in a lower tax bracket. We did not think it would be a significant amount. Don will address that.

**Donald Shilling, Chairman, Equipment and Supplies, Inc.** Testified in favor of the bill. See attachment #2. (6:55) Addressing Senator Unruh's question, a tuition reimbursement of \$375 per month or roughly \$4,000 per year; the ND tax amount of that would be somewhere in the area of couple hundred dollars annually. In the three-year program we provide for our new employees; they would have about \$600 savings. In exchange for that, a 1-2 year graduate out of school is making about \$55,000 - \$60,000 per year. All of that is subject to ND tax. The tradeoff is pretty good.

**Chairman Cook:** A starting diesel mechanic from NDSC is going to start making \$55,000 \$60,000 upon graduation?

**Donald Shilling:** We are in about the \$25 per hour range upon graduation and within a year or two they will be approaching \$30. With the overtime and what not, the minimum is \$50,000 per year.

**Donald Shilling:** I did provide some other testimonies. See attachment #3, #4, and #5.

**Chairman Cook:** Are you aware of the other pieces of legislation that are dealing with the same issue?

**Don Shilling:** Yes.

**Chairman Cook:** Any further testimony on this bill? Hearing none, we will close the hearing on HB 1475.

# **2019 SENATE STANDING COMMITTEE MINUTES**

**Finance and Taxation Committee**  
Lewis and Clark Room, State Capitol

HB 1475  
3/20/2019  
Job #34008

- Subcommittee  
 Conference Committee

Committee Clerk: Alicia Larsgaard

## **Explanation or reason for introduction of bill/resolution:**

A BILL for an Act to create and enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax exclusion for employee education assistance provided by an employer; and to provide an effective date.

**Minutes:**

Attachments: 0

**Chairman Cook:** Called the committee to order on HB 1475.

**Senator Dotzenrod:** This bill is a credit correct? Not a deduction.

**Chairman Cook:** Yes.

**Senator Dotzenrod: Moved a Do Pass on HB 1475.**

**Senator Kannianen: Seconded.**

**Chairman Cook: Any Discussion?**

**Chairman Cook:** There are employers out there who are reimbursing their employees for the cost of their education. The employees were getting taxed on it. That is my memory of the bill.

**A Roll Call Vote Was Taken: 6 yeas, 0 nays, 0 absent**

**Motion Carried.**

**Senator Patten will carry the bill.**

Date: 3-20-19  
Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1475**

## Senate Finance and Taxation Committee

## Committee

Subcommittee

Amendment LC# or Description:

Recommendation:	<input type="checkbox"/> Adopt Amendment <input checked="" type="checkbox"/> Do Pass <input type="checkbox"/> Do Not Pass <input type="checkbox"/> As Amended <input type="checkbox"/> Place on Consent Calendar <input type="checkbox"/> Reconsider	<input type="checkbox"/> Without Committee Recommendation <input type="checkbox"/> Rerrefer to Appropriations
Other Actions:	<input type="checkbox"/>	

Other Actions:  Reconsider

Motion Made By Dofrenpd Seconded By Hanninen

Total (Yes) 6 No 0

Absent 0

**Floor Assignment** Patten

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

**REPORT OF STANDING COMMITTEE**

**HB 1475: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1475 was placed on the Fourteenth order on the calendar.

**2019 TESTIMONY**

**HB 1475**

# 1  
HB 1475  
1-29-19  
P. 1

Testimony of Donald Shilling

Finance and Taxation Committee Hearing – January 29<sup>th</sup>, 2019

Re: HB 1475

**Chairman Headland and Representatives of the Committee**

Good Morning

My name is Donald Shilling. I am Chairman of General Equipment & Supplies, Inc. a North Dakota Heavy Equipment Dealership.

General Equipment has locations in Williston, Minot, Bismarck and Fargo ND. We also have locations in Sioux Falls SD, Shakopee and Hibbing MN, Urbana IL, Regina SK and Winnipeg MB.

Our industry has dealt with a skilled technician shortage since the late 1990's. As a result, most of the equipment dealers in ND have developed "Partnership Programs" with NDSCS or other Technical Colleges and Programs in the region. These partnerships help us to bridge this shortage gap.

We recruit young people mostly from our High Schools and help them to enter and complete their Technical Degrees at these institutions. Typically, some form of reimbursement of their tuition and fee are instrumental attracting young people to our industry and developing their future careers in the equipment field.

An example of how the program works is these young future employees go to NDSCS in one of our programs. They pay for their own tuition, fees, books, room and board. In exchange we provide them "on the job" paid work experience where they are able to make some pocket money and apply the skills, they are learning at school with practical experiences in the work place.

Upon Graduation most enter into some form of an agreement with their employer of tuition reimbursement. In our case for example; the higher the Grade Point Average in school the higher the percentage of tuition payback. For a 3.60 to 4.0 GPA we pay back 100%. We spread our payments out over a three years period with monthly payments. If at any time they choose to leave General Equipment, then the payments stop.

# 1  
HB 1475  
1-29-19  
p.2

With the current tuition and fee at NDSCS amounting to about \$13,500 their payback from us is around \$375 per month.

This tuition reimbursement is a taxable event for these young people but a full expense deduction for the dealership.

Other dealers for example, pay the student full time while at school. This additional income is to be applied to their tuition reimbursement. The bottom line is we all have developed independent programs, but the net effect is the same. Tuition reimburse that is taxable income.

I strongly feel that today in 2019, our Legislature is poised to make some significant advances to our Workforce programs by enacting solutions that are focused at addressing our needs. The enactment of HB 1475 will send a strong signal to our young people that if they have invested in the skills and the trade's we so desperately need that in exchange the State of ND and our communities wants them to remain here, productive and skillful citizens.

My last comment is that I am also a member of the Workforce Development Council and in our report on solutions to the Workforce issue published on October 24<sup>th</sup>, 2018 these are the types of recommendations we were making. Recommendations that make sense for ND and are truly solutions one puzzle piece by one puzzle piece at a time.

As many of these recommendations are adopted, we develop the strong structure of the new North Dakota's Workforce Solution.

I would be pleased to entertain any questions you have at this time and Thank You for your attention.

#2  
HB 1475  
1-29-19  
P. 1

To: The Chairman and Representative of the Finance and Taxation Committee

Date: January 28, 2019

Re: HB 1475

General Equipment & Supplies, Inc. North Dakota based heavy construction equipment dealer with offices in Williston, Minot, Bismarck and Fargo is supporting the passage of HB 1475.

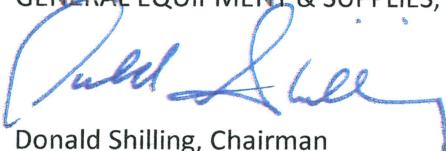
With the current workforce shortages in ND we are actively involved in recruiting skilled employees who are graduates of NDSCS. Part of our effort includes providing tuition reimbursement to graduates of the programs at NDSCS that come to work for us. Over the first three years after graduation we reimburse up to 100% of the graduates' tuition and fee. A typical monthly payment is roughly \$375 and that payment becomes "other income" for the graduate and subject to Federal and State taxation.

As the ND Legislature explores methods to improve and attract workforce providing this tax exclusion of tuition reimbursement would not only be beneficial but also send a strong message to our youth that ND is a great place to gain a skill and stay as a productive member of our community.

We are asking for positive passage of this legislation and yet one additional step to improving and securing our limited workforce.

Thank you.

Sincerely,  
GENERAL EQUIPMENT & SUPPLIES, INC.



Donald Shilling, Chairman



Power & Precision to Grow

644 E Beaton Dr • West Fargo, ND 58078  
Phone: 701-356-0130 • Fax: 701-356-0139  
[www.titanmachinery.com](http://www.titanmachinery.com)

#2  
HB 1475  
1-29-19  
p. 2

January 28, 2019

House Finance & Taxation Committee  
North Dakota Legislature  
600 E Boulevard Ave  
Bismarck, ND 58505

Re: House Bill No. 1475

Dear Committee Members:

I am concerned about House Bill No. 1475 that would eliminate the tax exclusion for employee education assistance that is provided to students by employers like us. We currently have real challenges finding enough talent to provide good service to our customers and this bill could hamper our strategies in "building" talent for the workforce in North Dakota.

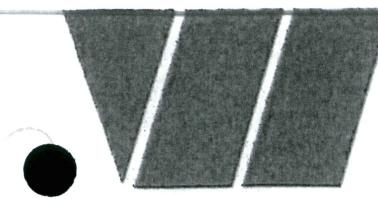
One of the strategies we use to help overcome our talent challenges is to provide tuition assistance to students who are pursuing either a technical or higher education degree. This is a win-win for the students, employers like us, and the state as this helps encourage students to pursue an education after high school with the goal of remaining in the state and working for the employer who helped sponsor their education.

I would ask that you would consider not supporting House Bill No. 1475 as it has the potential to dampen the long-term development of our workforce in North Dakota.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason A. Anderson".

Jason A. Anderson  
Vice President of Human Resources & Administration  
Titan Machinery Inc.  
644 East Beaton Drive  
West Fargo, ND 58078



# Wallwork<sup>TM</sup> TRUCK CENTERS

FARGO • BISMARCK • MINOT  
WILLISTON • FERGUS FALLS • DICKINSON

900 35th St. NW  
P.O. Box 1819  
Fargo, ND 58107-1819  
701-476-7000  
Fax: 701-476-7001

#2  
HB 1475  
1-29-19

P. 3

Chairman and Representative of the Finance Committee of the ND Legislature.  
RE: H.B. 1475. To enact a new subdivision to subsection 2 of the section  
57-38-30.3 of the North Dakota Century Code, relating to an income tax  
exclusion for employee education assistance provide by an employer.

Dear Chairman:

We are writing to you to express our support for Bill H.B. 1475 and we are  
asking that you also support it in Congress.

Thank you

Sincerely,

Dave Bovkoon

Service Manager

Wallwork Truck Center

Fargo ND

*Steve Bovkoon*

4020 E. Divide Ave.  
P.O. Box 2257  
Bismarck, ND 58502-2257  
701-224-1026  
Fax: 701-224-1136

2300 20th Ave. SE  
Minot, ND 58701  
701-837-2800  
Fax: 701-837-2801

2615 University Ave.  
Williston, ND 58801  
701-774-3007  
Fax: 701-774-3009

712 Frontier Drive  
Fergus Falls, MN 56537  
218-998-3297  
Fax: 218-998-3293

4741 West Villard Ave.  
Dickinson, ND 58601  
701-227-3304  
Fax: 701-227-1224

#2  
HB 1475  
1-29-19  
p.4

## NORTH DAKOTA IMPLEMENT DEALERS ASSOCIATION

1411 32ND ST S • Fargo ND 58103

Ph. (701) 293-6822 • [www.ndida.com](http://www.ndida.com)



### BOARD OF DIRECTORS:

JAMIE MELGAARD  
Chairman  
Minot  
852-4667

DAVID ANFINSON  
Vice Chairman  
Williston  
774-0957

DAN BUTLER  
Immediate Past Chairman  
Fargo  
298-1700

MATTHEW LARSGAARD  
President/CEO  
Fargo  
293-6822

JASON RUGGLES  
Bowman  
206-0759

RAY GOEHRING  
Ashley  
288-3411

DU KNUTSON  
EST FARGO  
356-0130

JOHN SWENSETH  
Devils Lake  
662-7522

TOM JOYCE  
LaMoure  
883-5271

KEITH KREPS  
Fargo  
526-9782

BRIAN HANSON  
Grafton  
352-3600

KEVIN ROY  
Langdon  
256-5275

January 26, 2019

Chairman Craig Headland  
Chairman – House Finance & Taxation Committee  
600 E Boulevard Ave.  
Bismarck, ND 58505

Chairman Headland,

I am writing this letter to express the significant challenge that our North Dakota farm and construction equipment dealerships are currently facing: the need for qualified diesel technicians. This problem is currently our dealerships' number one concern and most pressing issue.

We **SUPPORT HB 1475** as it creates an additional incentive for educated individuals, including individuals with a diesel technology degree, to live and work within North Dakota.

The average age of a diesel technician is over 45, and many of these individuals will be retiring throughout the next several years. Statistics show that demand for skilled technicians is going to continue to increase. A couple of years ago, there was six job openings for every one person that graduated from a vo-tech college. This data, coupled with a decreasing high school graduation rate, confirms the tremendous challenge ahead of us.

Farm and construction equipment dealerships are a huge part of our state's economy. Over the next many years we will literally have hundreds of jobs available and potentially not enough qualified personnel to fill these positions. This situation is not only challenging for our dealerships but will likely produce a negative affect on our state's economy.

We have many opportunities for individuals seeking employment, but we need trained, qualified personnel. This can only happen through training and motivating individuals to live and work in our great state. Thank you for considering this legislation.

Sincerely,

Jamie Melgaard  
Gooseneck Implement  
NDIDA Chairman

**Butler**



3401 33rd Street S Fargo, ND 58104

701.232.0033 tel | 701.298.1717 fax

#2  
HB 1475  
1-29-19

P. 5

January 28, 2019

Chairman Craig Headland  
Chairman – House Finance and Taxation Committee  
600 E Bld. Ave  
Bismarck, ND 58505  
Re: HB1475

Chairman Headland,

I am writing to you today in support of HB1475 as a way to support young people who are entering the workforce in North Dakota. As an equipment dealer we have an uphill battle finding qualified technicians, currently we have 73 opening for technicians amongst our locations. This bill will create additional opportunities for individuals entering the workforce to live and work in North Dakota.

Butler Machinery partners with North Dakota State School of Science through the Think Big Program. Which creates a learning environment where students split their time between the classroom and paid internships in our facilities alternating every nine weeks. This process continues throughout their two year degree in Diesel Technology from NDSCS. I have attached brochures to further explain our programs.

Based upon the present language of HB1475, it would appear that our students would be inadvertently left out from the benefits of HB1475. We would like to propose the following amendment:

“All wages earned during a bona-fide school sponsored internship would be tax exempt up to the corresponding educational expenses they have occurred.”

This would include our program along with other school reimbursement programs offered by North Dakota private businesses.

Presently, we support North Dakota State School of Science through scholarship money paid directly to the school and providing equipment free of charge for the school to use.

I look forward to the passage HB1475.

Thank you for your consideration of this bill.

Sincerely,

Dan Butler  
Butler Machinery  
Chairman of the Board



## READY TO FAST-TRACK YOUR CAREER AS A DIESEL TECHNICIAN?



### NORTH DAKOTA

**BISMARCK**  
3630 Miriam Ave  
**701.223.0890**

**DEVILS LAKE**  
7910 Highway 2 W  
**701.665.3800**

**DICKINSON**  
2803 I-94 Bus Loop E  
**701.456.1400**

**FARGO**  
3402 36th St SW  
**701.280.3100**

**GRAND FORKS**  
1201 S 46th St  
**701.775.4238**

**HANKINSON**  
17040 Hwy 11  
**701.242.7474**

**HOOPLE**  
7695 Highway 18 S  
**701.894.6363**

**JAMESTOWN**  
1910 27th Ave SE  
**701.251.1400**

**MINOT**  
1505 Hwy 2, Bypass E  
**701.852.3508**

### SOUTH DAKOTA

**ABERDEEN**  
4950 E Hwy 12  
**605.225.6240**

**HURON**  
1715 US Hwy 14 W  
**605.353.1200**

**PIERRE**  
20571 Truck Stop Ave  
**605.224.5400**

**RAPID CITY**  
3601 Deadwood Ave N  
**605.342.4850**

**SIOUX FALLS**  
3201 N Louise Ave  
**605.336.3010**



## ARE YOU **BUILT** TO BE A **BUTLER TECH**?

Get a head start on a career as a Service Technician through our ThinkBIG program. Students will receive state-of-the-art training on various equipment and systems while earning an Associate in Applied Science degree.



**Butler**



To apply, fill out an online application at  
**BUTLERMACHINERY.COM/CAREERS**

## IF YOU'RE IN HIGH SCHOOL, OR LOOKING FOR A CHANGE, YOU CAN GET A HEAD START ON A CAREER AS A CATERPILLAR DEALER SERVICE TECHNICIAN.

EARN  
COMPETITIVE  
WAGES  
DURING  
INTERNSHIP

ThinkBIG, the Caterpillar Dealer Service Technology Program, is designed to develop technically competent entry-level Service Technicians. Butler Machinery sponsors students enrolled at either North Dakota State College of Science (NDSCS – Wahpeton, ND) or at Lake Area Technical Institute (LATI – Watertown, SD).

Students receive up-to-date technical training on Cat equipment and systems through a combination of classroom instruction, hands-on laboratory instruction and an internship at Butler

Machinery. Work experience at the dealership is structured to relate to the most recent classroom/lab subjects covered at school. Upon successful completion of the program, students earn an Associate in Applied Science Degree (AAS) and a job opportunity may be available.

ThinkBIG is divided up into nine terms, each approximately eight weeks in length. Students complete the 1st, 3rd, 5th, 7th and 9th terms on campus at either NDSCS or LATI. They complete the 2nd, 4th, 6th and 8th terms interning at a Butler Machinery location. During these paid internships, students will earn a competitive wage while completing required internship hours. Students are responsible for housing, tuition and tool costs.

For more info, email [BecomeATech@ButlerMachinery.com](mailto:BecomeATech@ButlerMachinery.com)

## YOUR FUTURE IS WAITING.

You have potential with Butler Machinery! We hire many graduates of technical schools to begin working in our service departments. Almost all of our 400+ Service Technicians came to us after completing tech school. In many situations, Butler Machinery promotes from within the company. The following are some of the positions previous Service Technicians have been promoted into:

- » Service Manager
- » Heavy Equip. Salesperson
- » Parts & Service Sales Rep
- » Product Support Rep
- » Truck Engine Account Manager
- » E.P.G. Salesperson
- » Training Instructor
- » Service Coordinator
- » Ag Equip. Salesperson
- » Operations Manager

# ARE YOU BUILT TO BE A BUTLER TECH?

IF YOU HAVE WHAT IT TAKES, APPLY ONLINE TODAY!



CUSTOMER DRIVEN INTEGRITY ACCOUNTABILITY EXCELLENCE OUR TEAM SAFETY

## ABOUT BUTLER

For over five decades, Butler Machinery Company has been committed to offering the best in equipment solutions and dealer support. Founded in 1955 in Fargo, North Dakota, third generation family-owned Butler Machinery serves North and South Dakota, along with Clay County, Minnesota. Butler Ag Equipment, a division of Butler Machinery, provides quality ag products for Nebraska.

Butler Machinery is proud to offer products and services to support a variety of industries, including construction, agriculture, governmental, demolition and scrap handling, mining, landscaping, power generation and on-highway trucking. We represent many manufacturers including: Caterpillar, AGCO, CLAAS, Drago, Horsch, Killbros, Balzer, Sullair, Metso, Mesaba and Trail King.

## APPLY ONLINE AT [BUTLERMACHINERY.COM/CAREERS](http://BUTLERMACHINERY.COM/CAREERS)

We promise to provide the best in sales, rental, parts and service, from the initial purchase to beyond. Our goal is to give our customers the peace of mind that comes from knowing they have a dealer who is going to help increase profitability by creating the best solutions. With our rapid parts availability, the industry's largest fleet of field service trucks, and our highly skilled Service Technicians, we know we have what it takes to keep our customers up and running. Providing the best in customer support has always been our number one priority, and is what sets us apart from the competition.

Our mission is to build long term relationships with our customers, founded on trust, generating mutual growth and success.

# Associated General Contractors of North Dakota

#3  
HB 1475  
1-29-19



422 North 2nd Street, PO Box 1624, Bismarck, North Dakota 58502 • Phone: 701-223-2770 • FAX: 701-223-6719 • [www.agcnd.org](http://www.agcnd.org)

January 29, 2019

Mr. Don Shilling  
Chairman – General Equipment & Supplies, Inc.  
4300 Main Avenue  
Fargo, ND 58103

Dear Don:

Thank you for contacting me about the genesis of HB 1475 and what it seeks to accomplish. Per your request, this correspondence is provided to enlist the association's support of this effort. As a valued long time member, you are aware of the Associated General Contractors of North Dakota. AGC of ND is a 400 member association which has been in existence since 1951. Our membership consists of all aspects of commercial construction - highway contractors, vertical contractors, civil/heavy, specialty contractors, subcontractors as well as material and equipment suppliers. I state this summary as a reminder since the creation of our association one issue has continued to be a challenge – workforce development. If HB 1475 is enacted and helps aide in this effort, we lend our support.

We applaud the efforts like your company (General Equipment), and others such as Butler and RDO who partner with our institutions of higher education to sponsor programs in attempt fill the many workforce development needs. These programs and financial assistance to future construction professionals such as scholarships provided by the AGC of ND Education Foundation certainly are helpful, but they are not enough.

We appreciate your foresight to request HB 1475 be introduced and the ensuing discussion which will follow. We are pleased to provide the association's support.

Sincerely,

*Russ Hanson*

Russ Hanson  
Executive Vice President

BUILD WITH THE BEST



*3/6 HB 1475 #1 pg.1*

**HB 1475 Testimony**

**Senate Finance and Taxation Committee**

**Chairman Cook**

**March 6, 2019**

Chairman Cook and Members of the Senate Finance and Taxation Committee,

For the record, my name is Alisa Mitskog. I represent D-25.

HB 1475 is a bill about tuition reimbursement made by employers to employees. It would allow for a tax exemption by the employee.

This issue came to me out of concern by a large employer who has agreements with employees for tuition reimbursement. Currently, the tuition reimbursement payments to the employee are being taxed. When this came to my attention, I was troubled to learn that students were being taxed for this benefit.

This bill would allow for a deduction from reportable income for employer-reimbursed education expenses of employees.

It would include both 2-year and 4-year institutions or technical programs. The deduction is for the employee's state income tax.

Much attention has been made to the workforce challenges we have in North Dakota as well as the large student loan debt load that our students are carrying. Employers eager to recruit and retain skilled workers in a tight labor market have many reasons to expand their benefits package to include assistance in helping employees repay their student loans.

But, the fact that students are being taxed for the reimbursement is concerning, which is why I believe this bill is so important.

I ask for favorable consideration of HB 1475.

Thank you.

3/6 HB 1475 # 2 pg. 1

### Testimony of Donald Shilling

Finance and Taxation Committee Hearing – March 6, 2019

Re: Support for HB 1475

Chairman Dwight Cook and Senators of the Committee

Good Morning

My name is Donald Shilling. I am Chairman of General Equipment & Supplies, Inc. a North Dakota Heavy Equipment Dealership.

General Equipment has locations in Williston, Minot, Bismarck and Fargo ND. We also have locations in Sioux Falls SD, Shakopee and Hibbing MN, Urbana IA, Regina SK and Winnipeg MB.

Our industry has dealt with a skilled technician shortage since the late 1990's. As a result, most of the equipment dealers in ND have developed "Partnership Programs" with NDSCS or other Technical Colleges and Programs in the region. These partnerships help us to bridge this shortage gap.

We recruit young people mostly from our High Schools and help them to enter and complete their Technical Degrees at these institutions. Typically, some form of reimbursement of their tuition and fee are instrumental attracting young people to our industry and developing their future careers in the equipment field.

An example of how the program works is these young future employees go to NDSCS in one of our programs. They pay for their own tuition, fees, books, room and board. In exchange we provide them "on the job" paid work experience, in which they are able to make some pocket money and apply the skills and knowledge they are acquiring at school with practical experiences in the work place.

Sales ▲ Rental ▲ Parts ▲ Service



*3/6 HB 1475 #2 pg. 2*

Upon Graduation most enter into some form of an agreement with their employer of tuition reimbursement. In our case for example; the higher the Grade Point Average in school the higher the percentage of tuition payback. For a 3.60 to 4.0 GPA we pay back 100%. We spread our payments out over a three years period with monthly payments. If at any time they choose to leave General Equipment, then the payments stop.

With the current tuition and fee at NDSCS amounting to about \$13,500 their payback from us is around \$375 per month.

This tuition reimbursement is a taxable event for these young people but a full employer business expense deduction for the dealership.

Other dealers for example, pay the student full time while at school. This additional income is to be applied to their tuition reimbursement. The bottom line is we all have developed independent programs, but the net effect is the same. Tuition reimburse that is taxable income.

The enactment of HB 1475 will send a strong signal to our young people that if they have invested in the skills and the trade's we so desperately need that in exchange the State of ND and our communities wants them to remain here, productive and skillful citizens.

My last comment is that I am also a member of the Workforce Development Council and in our report on solutions to the Workforce issue published on October 24<sup>th</sup>, 2018 these are the types of recommendations we were making. Recommendations that make sense for ND and are truly solutions one puzzle piece by one puzzle piece at a time.

As many of these recommendations are adopted, we develop the strong structure of the new North Dakota's Workforce Solution.

I would be pleased to entertain any questions you have at this time and Thank You for your attention.

3/6 HB 1475 #3 pg. 1

# Associated General Contractors of North Dakota



422 North 2nd Street, PO Box 1624, Bismarck, North Dakota 58502 • Phone: 701-223-2770 • FAX: 701-223-6719 • [www.agcnd.org](http://www.agcnd.org)

March 6, 2019

Mr. Don Shilling  
Chairman – General Equipment & Supplies, Inc.  
4300 Main Avenue  
Fargo, ND 58103

Dear Don:

Thank you for contacting me about the genesis of HB 1475 and what it seeks to accomplish. Per your request, this correspondence is provided to enlist the association's support of this effort. As a valued long time member, you are aware of the Associated General Contractors of North Dakota. AGC of ND is a 400 member association which has been in existence since 1951. Our membership consists of all aspects of commercial construction - highway contractors, vertical contractors, civil/heavy, specialty contractors, subcontractors as well as material and equipment suppliers. I state this summary as a reminder since the creation of our association one issue has continued to be a challenge – workforce development. If HB 1475 is enacted and helps aide in this effort, we lend our support.

We applaud the efforts like your company (General Equipment), and others such as Butler and RDO who partner with our institutions of higher education to sponsor programs in attempt fill the many workforce development needs. These programs and financial assistance to future construction professionals such as scholarships provided by the AGC of ND Education Foundation certainly are helpful, but they are not enough.

We appreciate your foresight to request HB 1475 be introduced and the ensuing discussion which will follow. We are pleased to provide the association's support.

Sincerely,

*Russ Hanson*

Russ Hanson  
Executive Vice President

BUILD WITH THE BEST



*3/6 HB 1475 #4 pg.1*

March 4, 2019

Chairman Dwight Cook  
Chairman – Senate Finance & Taxation Committee  
600 E Boulevard Ave.  
Bismarck, ND 58505

Chairman Cook,

I am writing this letter to express the significant challenge that our North Dakota farm and construction equipment dealerships are currently facing: the need for qualified diesel technicians. This problem is currently our dealerships' number one concern and most pressing issue.

We **SUPPORT HB 1475** as it creates an additional incentive for educated individuals, including individuals with a diesel technology degree, to live and work within North Dakota.

The average age of a diesel technician is over 45, and many of these individuals will be retiring throughout the next several years. Statistics show that demand for skilled technicians is going to continue to increase. A couple of years ago, there was six job openings for every one person that graduated from a vo-tech college. This data, coupled with a decreasing high school graduation rate, confirms the tremendous challenge ahead of us.

Farm and construction equipment dealerships are a huge part of our state's economy. Over the next many years we will literally have hundreds of jobs available and potentially not enough qualified personnel to fill these positions. This situation is not only challenging for our dealerships but will likely produce a negative effect on our state's economy.

We have many opportunities for individuals seeking employment, but we need trained, qualified personnel. This can only happen through training and motivating individuals to live and work in our great state. Thank you for considering this legislation.

Sincerely,

Jamie Melgaard  
Gooseneck Implement  
NDIDA Chairman

*3/6 HB 1475 #5 pg. 1*

W W Wallwork Inc.  
900 35<sup>th</sup> St NW  
Fargo, ND 58102  
(701) 476-7000

Chairman and Representatives of the Senate Finance Committee of the ND Legislature

RE: H.B. 1475. To enact a new subdivision to subsection 2 of section 57-38-30.3 of the North Dakota Century Code, relating to an income tax exclusion for employee education assistance provided by an employer; and to provide an effective date.

Dear Chairman:

I am writing to you to express my support for Bill H.B. 1475 and I am asking that you also will support it in Congress.

As a result, my strong opinion on this matter that H.B. 1475 should be approved

Thank you for your time and interest.

Sincerely,

Dave Bovkoon

Service Manager

Wallwork Truck Center

*Dave Bovkoon*