

FISCAL NOTE
Requested by Legislative Council
01/24/2019

Amendment to: Engrossed SB 2165

- 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
Revenues						
Expenditures						
Appropriations						

- 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
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 2165 provides a sales and use tax exemption for the purchase of replacement watercraft.

- 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 engrossed SB 2165 creates a sales tax exemption for the purchase of a qualified replacement watercraft up to an amount equal to the insurance payment issued for a totally destroyed or stolen watercraft.

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.*

Neither the Game and Fish Department nor the Tax Department have information upon which to estimate the fiscal impact of the sales tax exemption contained in Section 1 of engrossed SB 2165. The fiscal impact of the bill cannot be determined.

- 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: 01/25/2019

FISCAL NOTE
Requested by Legislative Council
01/07/2019

Bill/Resolution No.: SB 2165

- 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
Revenues						
Expenditures				\$65,000		
Appropriations				\$65,000		

- 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
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).*

SB 2165 relates to watercraft total loss statements and certificates of number. Additionally the bill provides a sales tax exemption for certain replacement watercraft.

- 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.*

Sections 1 and 2 of SB 2165 would require the North Dakota Game and Fish Department to administer a system to track watercraft loss and issue salvage certificates of number. Section 2 contains provisions for the collection of a \$5 fee from certain applicants.

Section 3 creates a sales tax exemption for the purchase of a qualified replacement watercraft up to an amount equal to the insurance payment issued for a totally destroyed or stolen watercraft.

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 Game and Fish Department reports it is unknown how many applicants may be subjected to the \$5 fee provided in section 2 of SB 2165.

Neither the Game and Fish nor the Tax Department have information upon which to estimate the fiscal impact of the sales tax exemption contained in Section 3 of SB 2165. The fiscal impact of the bill cannot be determined.

- 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.*

North Dakota Game and Fish Department estimates IT programming costs of \$50,000. They have identified the need to add a new certificate system to track salvaged watercraft, including programming for fee structure and reporting. They would need additional staff during peak seasons to administer the provisions of the bill.

- 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.*

North Dakota Game and Fish Department report an increase in operating expenditures of \$65,000 (\$50,000 IT and \$15,000 for temporary staffing.)

Name: Kathryn Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 01/15/2019

2019 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2165

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2165
1/16/2019
Job # 30875

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to watercraft total loss statements and the issuance of a salvage certificate number; and to the definition of gross receipts.

Minutes:

Att. #1-3

Chairman Klein: Opened the hearing on SB 2165. All members were present.

Vice Chairman Vedaa, District 6: See attachment #1 for testimony in support of the bill.

(2:08) Senator Piepkorn: It's not in your written testimony, but you added finding out you owe all your sales tax, no credit for insurance settlement and then you added from sales tax.

Vice Chairman Vedaa: I forgot it when I was writing my testimony but I just added it right now.

Senator Roers: So if I trade my boat in, I get a credit on my sales tax because I don't pay sales tax on the trade in value of the trade in boat? So this situation only presents itself when the boat is totaled and you have nothing to trade in? How does that happen in a car then if you total your car?

Vice Chairman Vedaa: That's why this was taken out of the car portion of our legislation already written. If you total out your vehicle you would take your certificate or something. It also addresses salvaged titles and if you have a salvaged boat how to get that salvaged certification.

Chairman Klein: So the idea here is just to mirror what we do for cars and motorcycles?

Vice Chairman Vedaa: Yes exactly.

Chairman Klein: Little did we know, we needed this.

Vice Chairman Vedaa: However, for every problem we address here we create two more.

Senator Piepkorn: How are boats now currently treated differently than cars?

Vice Chairman Vedaa: What happens with an automobile is that vehicle gets totaled out, you buy a new vehicle. And a lot of people probably need to do that. So then you're able to take that payment that you were rewarded from the insurance company. So to make figures easy \$20,000 for the new vehicle, \$10,000 for the old one. You now owe just sales tax, or what our state probably calls excise tax, so then you would pay that 5% on that \$10,000 instead of the whole \$20,000. But for a boat, you wouldn't get that \$10,000 credit so now you would pay and it angered a constituent of mine. And I did include his testimony.

Chairman Klein: So that's where the \$65,000 comes from, that the state police are gonna? Do we have that many boats going down out there? It's for operating expenditures, its gonna make it a lot more difficult?

Vice Chairman Vedaa: Some individuals from Game and Fish are gonna be offering some testimony as well. But apparently they're kinda stumped because this hasn't happened before. But I believe that this will probably start to happen more now that boats are starting to hit that \$99,000. You start paying \$100,000 for a boat, and you know people do.

Chairman Klein: Well, even \$65,000 for a boat.

Vice Chairman Vedaa: Right. And the more expensive they are, the harder they are to fix. I think we're probably gonna see more of this. So what they shared with me is that the fiscal note is probably gonna be a bit more with trying to come up with a way to handle this. Cause there's no titling right now with water craft.

Senator Piepkorn: If you purchased a \$100,000 boat new and you traded it in later on another \$100,000 boat but it was only worth \$50,000 now. But you traded in this boat so you only owe \$50,000. What's your tax?

Vice Chairman Vedaa: At this point, I'm assuming, I'm almost positive. You would get that credit on that trade in. So you would owe tax on the \$50,000 instead of the \$100,000.

Chairman Klein: We're dealing here with salvage, a crash. So different than a trade in?

Vice Chairman Vedaa: Yes, I believe with a trade in you get that amount that you traded in. However, if you're dealing with a complete loss, there would be no value.

(9:12)Kim Kary, North Dakota Game and Fish Department: See attachment #2 for neutral testimony.

(14:10)Chairman Klein: So what I'm left wondering is why so we notify you? Is it Game and Fish that came out to the crash site?

Kim: When a boat accident happens, usually, law enforcement comes to the crash site and then they notify us. And we notify the coast guard. As far as the insurance company and how much damage the boat is, that is in a part of our law. It says the owner shall furnish the department notice of the transfer of all or any part of the owner's interest and if there is theft or recovery of such motor boat, of the destruction or mismanagement of such boats the must notify us within 15 days.

Chairman Klein: And that's because you certify ownership?

Kim: We have ownership for that boat and then we are supposed to terminate their boat registration if it was destroyed or abandoned or whatever. But we receive very few calls, we probably get one a year. We get very few people calling us. Part of the bill when it says giving us information from the insurance company within three years, I'm assuming that's probably because it takes the insurance department so long to process that. But we or the tax department would want that information right away. Not three years later.

Chairman Klein: So what I'm seeing here is we're trying to go in the same direction as cars and motorcycles. We've just got to get there and maybe we're not quite going the right direction. So we don't want to drive over too many people.

Vice Chairman Vedaa: Well I'm gonna have to admit that I had some misinformation, I was led to believe that the sales tax that's paid on a boat went to Game and Fish.

Kim: Nope.

Vice Chairman Vedaa: So when I first sat down and talked about this, that's how we went Game and Fish got brought up. But nobody ever corrected me on that. So when I had this bill drafted it was just yeah, okay.

Kim: And I think maybe you're referring to section one, the watercraft law statement. That's probably where that is about, with the insurance company and letting them know and tax credit and all that. Maybe that piece is more of a tax department. They'd get that paperwork. I mean they do come in and tell us. But if they're gonna want credit, that paper is gonna have to go to the tax department because we don't see what they pay, we don't care what they pay. All we care is that we get a certificate from the tax department telling us that they paid.

Chairman Klein: So if we got you out of this loop you'd be okay with this?

Kim: We would.

Chairman Klein: The biggest concern is that people have their boats registered with your department?

Kim: That's correct. Getting into the middle section when you're talking about the salvage and marking it previously salvaged, if that is something that you want recorded on somebody's boat registration so that if they come in and went and had their boat repaired and now they're gonna sell it, and they don't tell that somebody that their boat had been fixed and you maybe want it marked. That it had a previously salvaged titled, that would be on a boat registration so then that would potentially be our department, depending where you want that to go and who you want to see it but we'd have to talk through the best way to that and where you really want it seen.

Chairman Klein: I think in the past when we've done the salvaged title it's been a separate issue. We're just trying to dig into the excise tax that somebody paid and wished they hadn't but it's all for the children.

Myles Vosberg, Tax Commissioner's Office: Offered neutral testimony on the bill. When we read this bill we were also a little confused about what all is trying to be accomplished here. The amendment that we have prepared only deals with the new subsection five on the last page. **(See attachment #3)**. Right now, we have similar language in the motor vehicle excise tax law so that if an individual totally destroys or has a vehicles stolen, when they go to buy a replacement, they get a statement from their insurance company that says here's the loss, here's how much we paid the insured for this particular vehicle. And when they buy a replacement vehicle, that reduces the taxable value and so they would provide that certificate. If you went to a motor vehicle dealer, you'd provide it to them as they were calculating the tax that would be part of the information then that's submitted to motor vehicle for title and registration purposes. If the individual wasn't working with a dealer and maybe bought a replacement vehicle from a third party, they would then when they wen tot motor vehicle to register, submit that certificate as part of their documentation to reduce the taxable value. And its treated just like a trade in. We have similar language for farm machinery. If that's all you are trying to accomplish in bill 2165, then quite a bit of this language could be removed and we could just deal with some of the language that is in subsection 5 at the end of page three. The reason that we wanted to do an amendment to this existing language is that, North Dakota is a member of streamline sales tax organization, we attempt to divine some things in a simpler manner so that its more consistent for businesses that do business in multiple states. Makes it a little easier for them to operate. We have a definition in the streamline agreement of sales price or what we call gross receipts of the sale. States are one of the things states can do is include or not include a trade in value in that gross receipts and the trade in can be defined by each state on how they want to determine a trade in. So we just had some language that states that this is essentially a trade in and so can be deducted for taxable purposes.

Senator Roers: You talked about the fact that you determine the taxability by using the insurance proceeds number against the new purchase number. What if there's no insurance? How do you determine the value of that?

Myles: There is no trade in allowed against the taxable price if they don't have any insurance. And the insurance is only the insurance proceeds, so currently under the other situations if you have a deductible that's not included either. So if you get paid \$20,000 from the insurance company, that's the amount that it reduces the trade in. if you don't have insurance, you don't get the advantage of any type of trade in tax.

Chairman Klein: Closed the hearing on SB 2165.

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2165
1/23/2019
Job #31251

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to watercraft total loss statements and the issuance of a salvage certificate number; and to the definition of gross receipts.

Minutes:

Att. #1

Chairman Klein: Opened committee work on SB 2165.

Vice Chairman Vedaa: See attachment #1 for submitted amendments. This came down from the state tax commissioner. Basically what they did was they pulled all of that garbage out of there that wasn't needed. We took the Game and Fish completely out of this. There was no reason to even have them involved. So this is what the state tax commissioner said we need to be able to return the money back to the watercraft owner in the event of a total loss.

Chairman Klein: So then we would be more closely following the other sections of code that deal with damaged vehicle, motorcycles, and now watercraft?

Vice Chairman Vedaa: Correct. There's no title with a watercraft so this is something that a person will be able to bring to the insurance company, the loss statement and they'll be able to take this to wherever they buy their new watercraft.

Senator Roers: Would this also apply to like snowmobiles then?

Vice Chairman Vedaa: No snowmobiles have a title.

Senator Roers: So they already get this fair treatment?

Vice Chairman Vedaa: Yes.

Senator Burckhard: So during the testimony, Miles Vosberg promoted some amendments? Are those included in this too?

Chairman Klein: I believe these are his prepared by the office of the state tax commissioner.

Vice Chairman Vedaa: Yes, that's correct.

Chairman Klein: The effort made to take Game and Fish out of this and then settle the concerns of the tax commissioner's office.

Vice Chairman Vedaa: Move a Do Pass on the Amendments.

Senator Roers: Seconded.

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

Motion Carried.

Vice Chairman Vedaa: Move a Do Pass as Amended.

Senator Roers: Seconded.

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

Motion Carried.

Vice Chairman Vedaa will carry the bill.

January 23, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2165

Page 1, line 1, remove "create and enact two new sections to chapter 20.1-13 of the North Dakota"

Page 1, remove line 2

Page 1, line 3, remove "certificate number; and to"

Page 1, remove lines 6 through 24

Page 2, remove lines 1 through 21

Page 3, line 12, remove "The amount stated on a notarized statement of loss, pursuant to section 1 of"

Page 3, replace lines 13 through 19 with "The amount of compensation received from an insurance company for the loss of a stolen or totally destroyed watercraft that has been previously taxed under this chapter or chapter 57-40.2. if that compensation is used as a trade-in on the purchase of a replacement watercraft. The trade-in credit is not included in the gross receipts of the retailer.

- (a) If a watercraft is purchased by an owner who has had a watercraft stolen or totally destroyed, a trade-in credit must be allowed against one or more replacement watercraft purchases in a cumulative amount not to exceed the total amount of compensation from the insurance company for the loss.
- (b) The purchaser of a replacement watercraft shall provide the seller with an original notarized statement from the insurance company verifying the original watercraft was a total loss and indicating the date and amount of compensation.
- (c) If the full amount of trade-in credit under this section has not been used, the seller shall record on the face of the notarized statement the necessary information to identify partial use of the credit, retain a copy of the notarized statement to verify the credit allowed, and return the original notarized statement to the purchaser. If the full amount of the credit has been used, the seller shall retain the original notarized statement to verify the amount of trade-in credit allowed.
- (d) Trade-in credit for a watercraft stolen or totally destroyed may be applied to purchases of replacement watercraft made within three years from the date of compensation by the insurance company."

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2165: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2165 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "create and enact two new sections to chapter 20.1-13 of the North Dakota"

Page 1, remove line 2

Page 1, line 3, remove "certificate number; and to"

Page 1, remove lines 6 through 24

Page 2, remove lines 1 through 21

Page 3, line 12, remove "The amount stated on a notarized statement of loss, pursuant to section 1 of"

Page 3, replace lines 13 through 19 with "The amount of compensation received from an insurance company for the loss of a stolen or totally destroyed watercraft that has been previously taxed under this chapter or chapter 57-40.2. if that compensation is used as a trade-in on the purchase of a replacement watercraft. The trade-in credit is not included in the gross receipts of the retailer."

- (a) If a watercraft is purchased by an owner who has had a watercraft stolen or totally destroyed, a trade-in credit must be allowed against one or more replacement watercraft purchases in a cumulative amount not to exceed the total amount of compensation from the insurance company for the loss.
- (b) The purchaser of a replacement watercraft shall provide the seller with an original notarized statement from the insurance company verifying the original watercraft was a total loss and indicating the date and amount of compensation.
- (c) If the full amount of trade-in credit under this section has not been used, the seller shall record on the face of the notarized statement the necessary information to identify partial use of the credit, retain a copy of the notarized statement to verify the credit allowed, and return the original notarized statement to the purchaser. If the full amount of the credit has been used, the seller shall retain the original notarized statement to verify the amount of trade-in credit allowed.
- (d) Trade-in credit for a watercraft stolen or totally destroyed may be applied to purchases of replacement watercraft made within three years from the date of compensation by the insurance company."

Renumber accordingly

2019 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2165

2019 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

SB 2165
2/27/2019
32894

- Subcommittee
 Conference Committee

Committee Clerk: Ellen LeTang

Explanation or reason for introduction of bill/resolution:

Watercraft total loss statements & the issuance of a salvage certificate number & definition of gross receipts.

Minutes:

Attachment 1

Chairman Keiser: Opens the hearing on SB 2165.

Sen Vedaa~District 6: Attachment 1.

2:05

Rep Adams: If it's my boat & it's gets wrecked, the insurance company takes it, pays me, I have to pay taxes because I have nothing to trade in?

Sen Vedaa: Yes, that's correct, he had to pay the entire sales tax on the new water craft.

Rep Laning: Isn't it the same as buying a vehicle?

Sen Vedaa: No, when you buy a new vehicle, you don't have to pay sales tax on that settlement.

Rep Richter: When you get your insurance check back, the insurance doesn't include the tax that you pay, just the value of the vehicle?

Sen Vedaa: That's correct.

Chairman Keiser: Anyone else here to testify on in support of SB 2165, opposition, neutral position. Do you want to talk about the fiscal note?

Shannon Fleischer: Fleischer~Office of State Tax Commissioner: At this time we don't track purchases of boats only, so to have a fiscal note, we can't determine that.

Rep D Ruby: Would that credit on the tax be available from a private sale rather than just in an insurance claim?

Shannon Fleischer: The way the bill is written; it says that you would get a credit for the compensation from the insurance company.

Rep D Ruby: That's a no.

Rep Laning: How would the insurance department know that that person received any kind of settlement.

Shannon Fleischer: Normally the insurance company provides a total loss statement to the individual who held the insurance & that is what they bring when they purchase the new item, which is the replacement quote on how much they were compensated.

Rep Laning: What if the person had no insurance & they totaled their boat? Would they still get some kind of sales tax credit in this bill?

Shannon Fleischer: No, they would not.

Rep Laning: So it has to be included in the insurance settlement.

Shannon Fleischer: Correct.

Rep M Nelson: This is the same procedure as automobiles?

Shannon Fleischer: That's correct.

Chairman Keiser: Closes the hearing? What are the wishes of the committee?

Rep D Ruby: My question would be before you do that would be, are we going to have somebody come in & fix it like we did with the automobiles? There could be a fix.

Rep Richter: I was going to ask the same question.

Chairman Keiser: Let's hold the bill & look at an amendment.

2019 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

SB 2165
3/13/2019
33667

- Subcommittee
 Conference Committee

Committee Clerk: Ellen LeTang

Explanation or reason for introduction of bill/resolution:

Watercraft total loss statements & the issuance of a salvage certificate number & definition of gross receipts.

Minutes:

Chairman Keiser: Opens the hearing on SB 2165.

Rep M Nelson: (Did not turn on mike).

Chairman Keiser: Do we need the bill.

Rep M Nelson: (Did not turn on mike).

Chairman Keiser: So we need the bill. What are the wishes of the committee?

Rep M Nelson: Moves a Do Pass.

Rep D Ruby: Second.

Chairman Keiser: Further discussion?

Roll call was taken on SB 2165 for a Do Pass with 13 yes, 0 no, 1 absent & Rep M Nelson is the carrier.

Date: Mar 13, 2019

Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. SB2165

House _____ Industry, Business and Labor _____ 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 Nelson Seconded By Rep Ruby

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep O'Brien	Ab	
Vice Chairman Lefor	X		Rep Richter	X	
Rep Bosch	X		Rep D Ruby	X	
Rep C Johnson	X		Rep Schauer	X	
Rep Kasper	X		Rep Adams	X	
Rep Laning	X		Rep P Anderson	X	
Rep Louser	X		Rep M Nelson	X	

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep Nelson

REPORT OF STANDING COMMITTEE

SB 2165, as engrossed: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2165 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

SB 2165

SB2165

Chairman Klein fellow members of the IBL committee for the record I am Senator Vedaa District 6.

They say the happiest two days of a boat owners life is the day he buys one and the day he sells it. I am a boat owner and I haven't experienced the second day yet. I think that saying was years ago when boat motors had gas mixed with oil and pull starts. Today's watercraft have the latest in technology with depth finders fish finders, GPS pontoons have slides, BBQ grills, bathrooms, and 300 horsepower motors and a price tag that can exceed \$100,000 dollars.

Now image a total loss on that watercraft and not exercising the second happiest day of a boat owners life and going to buy another watercraft and finding out you owe all your sales tax and no credit for your insurance settlement. Well I meet the man that this happened to and he brought it to my attention.

This bill will allow the loss to be used as it is in a total loss of an automobile, motorcycle, motorhome, and camper.

SECTION 1. A new section to chapter 20.1-13 of the North Dakota Century Code is created and enacted as follows:

Watercraft total loss statement.

1. An owner of a stolen or totally destroyed watercraft shall provide the game and fish department with a notarized statement from the insurance company within three years from the date of issuance verifying the watercraft was a total loss and stating the amount compensated by the insurance company for the loss.
2. The statement from the insurance company must accompany the owner's application for a certificate of number for a replacement watercraft.
3. If the owner is not able to use the full amount of the credit under section 57 - 39.2 - 01 for the purchase of a replacement watercraft, the game and fish department shall record on the face of the notarized statement the necessary information to identify the partial use of the credit and shall retain a copy and return the original to the owner.

SECTION 2. A new section to chapter 20.1-13 of the North Dakota Century Code is created and enacted as follows:

Issuance of salvage certificate of number.

1. The department shall issue a salvage certificate of number for a salvaged or destroyed watercraft when the owner of the watercraft has returned the certificate of number for the watercraft to the department. The department shall prescribe the form and content of the salvage certificate of number. The certificate must include a prominent notation that the certificate has been issued for a salvaged watercraft .
2. The owner of a watercraft damaged in excess of seventy - five percent of the watercraft's retail value as determined by the national automobile dealers association official used boat guide shall forward the title for the watercraft to the department

within ten days and the department shall issue a salvage certificate of number.

3. If a watercraft for which a salvage certificate of number has been issued is reconstructed, a regular certificate of number may be obtained by completing an application for the certificate. The applicant shall include with the application a certificate of inspection in the form required by the department, the salvage certificate of number, and a five dollar fee. The department shall place on the regular certificate of number and on all subsequent certificates of number issued for the watercraft the words "previously salvaged" and a notation that damage disclosure information is available from the department. The department may not issue a new certificate unless the identification number has been inspected and found to conform to the description given in the application or unless other proof of the identity of the watercraft has been provided to the satisfaction of the department.

4. The certificate of inspection required under this section must be completed by a business registered with the secretary of state, is in good standing, and offers marine repair to the public. The business completing the certificate of inspection may not be the business that reconstructed the vehicle.

SECTION 3. AMENDMENT. Subdivision d of subsection 12 of section 57-39.2-01 of the North Dakota Century Code is amended and reenacted as follows:

and

(5) The amount stated on a notarized statement of loss, pursuant to section 1 of this Act, to be credited against the purchase of a watercraft to replace a stolen or totally destroyed watercraft. If a watercraft is purchased by an owner who has had a watercraft stolen or totally destroyed, a credit or trade - in credit must be allowed against one or more replacement watercraft purchases in a cumulative amount not to exceed the total amount the purchaser has been compensated by an insurance company for the loss and the credit is not included in the gross receipts of the retailer.

Chairman Klein The tax department has prepared an amendment that will be explained later.

This concluded my testimony and I will stand for any questions.

I talked to Shawn Vedaa about getting a bill in Congress when a water craft is totaled out from an accident or natural disaster.

Our pontoon was totaled out in a tornado on 9-20-18. We contacted Game and Fish to get our new pontoon registered. They said we would have to pay the TAX on it, because we never traded the old one in.

You can't trade in something that is totaled out. Our insurance paid the insured amount and took the pontoon.

I think this bill should go back 3 to 5 years because, I'm sure this isn't the first time this has happened.

Don McCloskey



SB 2165 1/16/19 AH #2

Senate Industry, Business and Labor Committee
Testimony on SB 2165

North Dakota Game and Fish Department
Kim Kary, Chief Administrative Services Division
January 16, 2019

Chairman Klein and members of the Senate Industry, Business and Labor committee, my name is Kim Kary, Chief of Administrative Services Division of the North Dakota Game and Fish Department and I am testifying on SB 2165.

The Game and Fish Department (Department) registers watercraft for the state. The customer or boat dealer submits the sales tax to the State Tax Department for the watercraft. The customer provides us a receipt that the sales tax has been paid. Then we issue the customer a certificate of registration. The registration is good for three years. The fee is based on the size of the watercraft. The department does not inspect the boat nor verify insurance.

The Department does not have records pertaining to the number of destroyed or stolen boats. The Department receives information pertaining to boating accidents which are approx. 10-15 per year.

The proposed bill would require the Department to create and maintain a system to track watercraft loss and issuance of a salvage certificate of number. The Department's licensing system would require programming to develop this new piece at a cost of approx. \$50,000. The Department would require approx. \$15,000 for part-time staff for peak months to process this additional information and record it. It appears, the five dollar fee does not represent the cost to administer the salvage certificate.

We need clarification on parts of the bill regarding section 1, receiving a statement from the insurance company; issuance of the salvage certificate; page 2 line 5 regarding the title and line 14-16 regarding inspection.

Mr. Chairman and committee members, this concludes my testimony. I would be happy to answer any questions.

SB 2165 1/16/19 Att #3

Prepared by the Office
of State Tax Commissioner
January 16, 2019
19.0491.01000

PROPOSED AMENDMENTS TO SENATE BILL NO. 2165

Page 3, line 12, replace "The" with "A trade-in includes the"

Page 3, line 15, remove "credit or"

Page 3, line 19, after the first "the" insert "trade-in"

Renumber accordingly

SB2165 1/23/19 AH#1

Prepared by the Office
of State Tax Commissioner for Senator Vedaa
January 22, 2019
19.0491.01000

PROPOSED AMENDMENTS TO SENATE BILL NO. 2165

Page 1, line 1, remove "create and enact two new sections to chapter 20.1-13 of the North Dakota"

Page 1, remove line 2

Page 1, line 3, remove "certificate number; and to"

Page 1, remove lines 6 through 24

Page 2, remove lines 1 through 21

Page 3, line 12, remove "The amount stated on a notarized statement of loss, pursuant to section 1 of"

Page 3, replace lines 13 through 19 with:

"The amount of compensation received from an insurance company for the loss of a stolen or totally destroyed watercraft that has been previously taxed under this chapter, or chapter 57-40.2, when that compensation is used as a trade-in on the purchase of a replacement watercraft. The trade-in credit is not included in the gross receipts of the retailer.

- a. If a watercraft is purchased by an owner who has had a watercraft stolen or totally destroyed, a trade-in credit must be allowed against one or more replacement watercraft purchases in a cumulative amount not to exceed the total amount of compensation from the insurance company for the loss.
- b. The purchaser of a replacement watercraft shall provide the seller with an original notarized statement from the insurance company verifying that the original watercraft was a total loss and indicating the date and amount of compensation.
- c. If the full amount of trade-in credit under this subsection has not been used, the seller shall record on the face of the notarized statement the necessary information to identify partial use of the credit, retain a copy of the notarized statement to verify the credit allowed, and return the original notarized statement to the purchaser. If the full amount of the credit has been used, the seller shall retain the original notarized statement to verify the amount of trade-in credit allowed.
- d. Trade-in credit for a watercraft stolen or totally destroyed may be applied to purchases of replacement watercraft made within three years from the date of compensation by the insurance company."

ReNUMBER accordingly

Attachment 1
Feb, 27, 2019

SB2165

Chairman Keiser fellow members of the IBL committee for the record I am Senator Vedaa District 6.

They say the happiest two days of a boat owners life is the day he buys one and the day he sells it. I am a boat owner and I haven't experienced the second day yet. I think that saying was years ago when boat motors had gas mixed with oil and pull starts. Today's watercraft have the latest in technology with depth finders, fish finders, GPS, pontoons have slides, BBQ grills, bathrooms, and 300 horsepower motors and a price tag that can exceed \$100,000 dollars.

Now image a total loss on that watercraft and not exercising the second happiest day of a boat owners life and going to buy another watercraft and finding out you owe all your sales tax and no credit for your insurance settlement. Well I meet the man that this happened to and he brought it to my attention.

This bill will allow the loss to be used as it is in a total loss of an automobile, motorcycle, motorhome, and camper.

(5) The amount of compensation received from an insurance company for the loss of a stolen or totally destroyed watercraft that has been previously taxed under this chapter or chapter 57 - 40.2. if that compensation is used as a trade-in on the purchase of a replacement watercraft. The trade-in credit is not included in the gross receipts of the retailer.

(a) If a watercraft is purchased by an owner who has had a watercraft stolen or totally destroyed, a trade-in credit must be allowed against one or more replacement watercraft purchases in a cumulative amount not to exceed the total amount of compensation from the insurance company for the loss.

(b) The purchaser of a replacement watercraft shall provide the seller with an original notarized statement from the insurance company verifying the original watercraft was a total loss and indicating the date and amount of compensation.

(c) If the full amount of trade-in credit under this section has not been used, the seller shall record on the face of the notarized statement the necessary information to identify partial use of the credit, retain a copy of the notarized statement to verify the credit allowed, and return the original notarized statement to the purchaser. If the full amount of the credit has been used, the seller shall retain the original notarized statement to verify the amount of trade-in credit allowed.

(d) Trade-in credit for a watercraft stolen or totally destroyed may be applied to purchases of replacement watercraft made within three years from the date of compensation by the insurance company.

I talked to Shawn Vedaa about getting a bill in Congress when a water craft is totaled out from an accident or natural disaster.

Our pontoon was totaled out in a tornado on 9-20-18. We contacted Game and Fish to get our new pontoon registered. They said we would have to pay the TAX on it, because we never traded the old one in.

You can't trade in something that is totaled out. Our insurance paid the insured amount and took the pontoon.

I think this bill should go back 3 to 5 years because, I'm sure this isn't the first time this has happened.

Don McCloskey