

Testimony in Opposition to House Bill 1309  
March 18, 2021  
House Finance and Taxation Committee  
Bill Wocken on behalf of the North Dakota League of Cities

Good Morning Mr. Chairman and members of the House Finance and Taxation Committee. For the record, my name is Bill Wocken and I am testifying in opposition to House Bill 1309 on behalf of the North Dakota League of Cities.

House Bill 1309 seeks to exempt a contractor from payment of the use tax if they are not involved in a contract to purchase the items they are installing. The bill also eliminates an exemption for medical equipment installations.

At present, North Dakota law requires construction materials to pay sales tax either at the time of purchase or the use tax is applied at the time of installation. This is necessary since not all construction materials used in buildings are sold in North Dakota. State law does not require a sales tax permit until sales reach \$100,000 in any year. The practical effect of the relief sought by House Bill 1309 then, would appear to be avoidance of payment of sales tax for materials purchased outside North Dakota or materials purchased within the state for which sales tax was not collected. The present safety net for collection of these taxes would no longer exist. North Dakota material suppliers who collect sales tax would appear to be at a potential disadvantage to out-of-state rivals.

The North Dakota League of Cities is concerned for the effect this change would have on sales and use tax collections utilized by the state and local governments to provide services. There is no fiscal note on the bill, perhaps the fiscal impacts of the bill could not be calculated. We are concerned now, as we were when this concept was considered last session, about unintended consequences on revenue collections.

We are not sure answers are available for all the questions this bill raises so we must respectfully request a DO NOT PASS recommendation for House Bill 1309.