



Testimony
Senate Finance and Taxation Committee
House Bill 1214

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Chairwoman Bell and members of the Senate Finance and Taxation Committee:

My name is Daniel Rouse. I am Legal Counsel to the North Dakota Office of State Tax Commissioner and the North Dakota State Board of Equalization. I am here on behalf of the Office of State Tax Commissioner in support of HB 1214 and to provide an explanation to the Committee of why this Bill is before you for consideration.

North Dakota Century Code (“N.D.C.C.”) Chapter 57-32 addresses the taxation of property of air carrier transportation companies and air transportation companies in North Dakota. The tax imposed under this chapter is in lieu of registration fees and sales and use taxes that would otherwise be imposed on the sale, storage, use, or consumption of air carrier transportation company and air transportation company property as well as the operative property of these companies in the State.

This Bill, if enacted, would close a loophole in the law by defining, in N.D.C.C. § 57-32-01, an “air carrier transportation company” and an “air transportation company” for purposes of Chapter 57-32.

Currently, the tax collected under this chapter is allocated by formula to the various cities or municipal airport authorities where air carrier transportation companies or air transportation companies make “regularly scheduled” landings in North Dakota. However, a major air carrier transportation company or air transportation company may have property in this State that should be subject to the tax under this chapter but because the company does not make “regularly scheduled” landings of aircraft in

the State, it is not being taxed on their operative/leasehold property that is in North Dakota. Instead, separate, regional airline companies make those “regularly scheduled” landings, using a shared flight designator code, operating under the same trade name, or using the same commercial logos (“livery”) as the major carrier. The amendments before you will ensure that major carriers with property in the State that is subject to tax under Chapter 57-32 -- but that do not make “regularly scheduled” landings -- are treated the same as the other air carrier transportation companies and air transportation companies that are paying the tax.

The Tax Department worked closely with the Aeronautics Commission, representatives of the North Dakota Airport Authorities Association, and many Airport Directors in the State in arriving at this language.

Chairwoman Bell, members of the Committee, the Tax Commissioner respectfully requests favorable consideration of House Bill 1214. I am available for any questions you may have. Thank you.