

Chairman Clemens and Members of the Senate Transportation Committee:

Good morning! For the record I am David Rust, Senator from District 2 which encompasses all of Divide and Burke Counties, Williams County with the exception of most of Williston, and parts of Mountrail County, including the city of Stanley.

It's good to be back in Senate Transportation. I have missed being a member of this committee. If it's any consolation, I've been assigned to the NDDOT subcommittee in Appropriations.

I'm here today to introduce SB 2277. I will begin with an explanation of my rationale for the bill.

I became aware of this issue when a family member went through a divorce.

Facts:

1. A married couple purchased a vehicle (2017).
2. Only one of the married couples' names was on the title/registration (in this case, the husband's name; not the wife's).
3. A divorce takes place after the purchase of the vehicle (2019).
4. In the formal divorce decree, the vehicle and remaining vehicle debt are awarded to the spouse, whose name is not listed on the title/registration (In this case, the wife's).
5. The spouse (now ex-wife) is ordered by the decree to refinance the vehicle in the spouse's name only.
6. Upon making the title/registration change with the NDDOT, the spouse was told she must pay excise tax on the "fair market value" of the vehicle (In this case, fair market value was determined to be \$30,100; hence, an excise tax payment of \$1,505 is assessed. Title transfer and registration/plates fees are in addition to the \$1,505.) ****See e-mail below from NDDOT**

Senator Rust,

It was nice talking with you earlier today. I reached out to our Motor Vehicle team and below is what I have discovered.

The NDCC 57-40.3-04 for Motor Vehicle Tax Exemptions is the section of code. The situation does not qualify as a tax exemption, therefore tax would be due, since [REDACTED] was not a listed owner on the vehicle title. Even though she is awarded the vehicle by the court, the ownership on the title is changing, and there is no exemption for tax on this situation.

In 2018, NDDOT asked the Tax Department about a very similar situation to this. Their Legal Division's determination is as follows:

If ownership of the vehicle actually changes (the new owner's name is not on the pre-divorce title) because of a divorce decree, the new owner must pay tax on the value of the vehicle when title is changed. However, if the existing owner's name changes after a divorce, no tax is due when the name of the existing owner is changed on the title."

[REDACTED] I hope the information will be helpful for you.

Robin Rehborg
Deputy Director For Driver Safety

The purpose of the SB 2277 is to add an exemption to NDCC 57-40.3-04 for the spouse (whose name does not appear on the title/registration) awarded a vehicle through a divorce decree.

Rationale:

1. The married couple paid sales/excise taxes on the vehicle when it was purchased. Arguably the spouse is a participant in this payment with at least 50% interest.
2. Now, the spouse is forced to pay excise tax a "second time" on the same vehicle.
3. That seems so wrong.
4. It's an unfair tax placed on a person at a time when the individual is most vulnerable and can least afford it.
5. In many, if not most cases, the affected spouse is going to be the wife—the one with the least income and, more than likely, the one awarded custody of the children.

That concludes my testimony. I ask for your support of SB 2277 and will attempt to answer any questions you may have.

Mr. Chairman.