

Testimony by Shawn McKenna

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House Finance and Taxation Committee

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Good morning Chairman Headland, members of the committee. Thank you for this opportunity to speak with you this morning. My name is Shawn McKenna and I'm the executive director of the North Dakota Association of Nonprofit Organizations also known as NDANO, and I'm here to testify in support of Senate Bill 2369.

I think we can probably all agree that tax law can be a bit confusing. We think the section we are here to talk about today falls into that category. We think by passing 2369 you can provide our nonprofits with a clearer picture of what's expected of them.

Please consider this example as to why we support SB 2369. If a nonprofit group holds a 5K run and pays market-rate rent to use the publicly owned Sertoma Club Community Center down by the zoo here in Bismarck as their starting point, and that event grossed \$10,000 or more in ticket sales, it would have to pay sales tax. But if that same organization started that same run at the privately owned Elks Club, just a short distance away, it wouldn't have to pay that tax.

It seems odd that the ownership of the facility would determine whether sales tax is owed. Especially when the group renting the space is paying market-rate rent to use both spaces.

I don't know the intent of the original legislation, but I suspect it may have been to prevent public-private competition in the event venue marketplace. But nonprofits aren't usually choosing publicly owned facilities like the Bismarck Events Center, the North Dakota Heritage Center, or a public golf course because they're cheaper. Often, they're more expensive. No, they choose those venues because of their size, their availability, or their location. Unfortunately, in many cities, nonprofits have few privately owned options with large enough capacity to meet their needs.

By passing Senate Bill 2369, you can clarify and simplify tax exemptions for nonprofit organizations and ensure those groups can focus on their missions without navigating these fiscal complexities. This exemption will support nonprofits in North Dakota and remove confusing regulations that do not serve the possible intended purpose of preventing public-private competition. By providing this exemption you'll also be helping the organizations which contribute to the quality of life in our communities.

I urge the committee to support Senate Bill 2369.

Thank you for your time and consideration.

I'd be happy to stand for any questions.