



2023 House Bill 1513
House Finance and Taxation Committee
Craig Headland, Chairman
January 30, 2023

Chairman Headland and committee members of the Finance and Taxation Committee. I am Theresa Stahl, Director of Finance, Hospice of the Red River Valley. I testify in support of House Bill 1513 to create and enact a new subdivision in subsection 3 of section 57-40.2-03.3 of the North Dakota Century Code, relating to the payment of use tax by contractors; to amend and reenact subsection 24 of section 57-39.2-04 of the North Dakota Century Code, relating to a sales tax exemption for sales to an eligible facility when used for the benefit of the facility's patient or occupant; and to provide an effective date.

Sales tax exemptions are provided because of some characteristic of the buyer or the seller. They are based on the type of property being sold, the identity of the purchaser, or the use to which the property will be put. Most states offer exemptions for items needed to survive, such as food, clothing, or medicine. Exemptions also exist for sales to the state, its agencies, other municipalities, and sales to nonprofit charitable, religious, and educational organizations. Last, exemptions are based on type of use to encourage activities for the public good. As a hospice provider we fit into all three of the classifications. The services we provide are needed, we are organized as a North Dakota nonprofit corporation and exempt from federal income tax under internal revenue code 501(c)(3), and the services we provide are for the good of the citizens of our communities.

As a 501(c)(3) nonprofit provider, our income does not inure to any individual or private shareholder. Our revenue is used to provide services to our patients.

In 2022, we touched 2,523 patients and their families providing 149,580 days of care. We want and need to do more. To that point, we are building an inpatient unit to be able to provide acute care when needed by our patients, and to provide respite care when a care giver needs a much deserved break. Our project was impacted by COVID-19 as prices for construction rose dramatically. Unless we have a labor only contract, the sales tax is a significant cost. While we have received generous donations to our capital campaign, we still have millions to raise. We have secured a loan for a mortgage, but the principal and interest payments will take away from funds needed to provide the good quality care our patients deserve.

Entering into a labor only contract for construction is hard to facilitate due to the complexities created. We are health care providers and not construction contractors, which brings additional risk to the project as we attempt to maneuver through purchases of materials we know nothing about.

Thirteen states allow contractors to purchase building materials for use in construction contracts with state agencies and other exempt entities, such as municipalities and nonprofit organizations, without paying sales and use tax on them. The exemption applies to materials permanently installed or placed in the construction project, such as the bricks and mortar used for construction. It does not apply to the equipment and tools used to construct the building. A certificate can be used to present to sellers attesting the materials will be used for an exempt entity's project. Those states are Colorado, Connecticut, Illinois, Maine,

Massachusetts, Missouri, Nebraska, New Jersey, New York, Ohio, Rhode Island, Texas, and Vermont.

While the request to include the words hospice program in subsection 24 of section 57-39.2-04 is for clarity, as we have been granted a sales tax exemption without the words explicitly stated, the sales tax exemption for tangible personal property purchased by a contractor on behalf of an entity qualifying for an exemption is critical. We ask for your support to better serve the citizens of North Dakota.

Thank you for the opportunity to testify today in support of HB 1513. This concludes my testimony. I am happy to answer any questions the committee may have.

Respectfully Submitted,

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