

**House Bill 1223**  
**Testimony before House Transportation Committee**  
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**Automobile Dealers Association of North Dakota**  
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Mr. Chairman and members of the committee. My name is Matthew Larsgaard and I am appearing in support of House Bill 1223 on behalf of the Automobile Dealers Association of North Dakota which consists of our state's franchised new car dealers.

This bill relates to the tax exempt sales of motor vehicles to Native Americans who are enrolled members of a Federally recognized Indian tribe. Currently, tribal members who **reside on the reservation may take possession of a motor vehicle at any location** within the state and claim their tax exemption. Tribal members who reside outside of the reservation must have the vehicle delivered to the reservation to claim their exemption. This bill removes the delivery requirement for those Native Americans who reside outside of the reservation.

For many years Native Americans have required our dealerships to deliver purchased vehicles to their reservations as they know this practice will allow them to claim their tax exemption. The tax exemption is effectively provided by the Federal government. Working in an extremely competitive industry, our dealers have been compelled to drive vehicles to the reservation which is burdensome, costly, exacerbates challenges associated with labor shortages, and creates unnecessary liability exposure for dealers.

It is also important to distinguish the difference between sales tax and motor vehicle excise tax. Sales tax is due at the point of sale and is collected by the retailer. Excise tax is not; it is a title transfer tax paid by the purchaser when they apply for a title and license. The difference between sales tax and motor vehicle excise tax serves, in part, as the basis for treating the tax applications differently.

To be clear, this bill does not create a tax exemption for Native Americans; it already exists. This bill will simply allow a Native American to claim their tax exemption at the dealership instead of requiring the dealer to deliver the vehicle to the reservation.

We are asking for your support to correct this issue. It is important to note that this correction would be limited to only those Native Americans who are members of a Federally enrolled Indian tribe and who live outside of the reservation.

From our perspective, the primary beneficiaries of this legislation include automobile dealers, our employees, Native Americans, and the state of North Dakota. We believe this legislation will not result in a substantive decrease in excise tax collections as we believe the vast majority of Native Americans are well aware of their tax exemption...and they utilize it. It is also important to understand that this legislation will produce more income tax revenue for the state through expense reduction for dealers and increased income for our employees.

Regardless of the outcome of this bill, Native Americans will still be able to claim their exemption. The difference will be whether the dealer must incur the expense of delivery or use that money to pay their employees, operating costs, etc.

Matthew C. Larsgaard, MBA  
Automobile Dealers Association of North Dakota