

Testimony in opposition to House Bill 1552
January 29, 2025
House Finance and Taxation Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good morning, Mr. Chairman and members of the House Finance and Taxation Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in opposition to House Bill 1552.

This bill proposes a cap on the amount of sales, use and gross receipts tax a city or county can impose using their home rule charters. The bill sets a cap of 3 percent for taxes levied but it allows any levies in excess of 3 percent to continue on to their expiration.

To review the current state of the "Big 3" public taxes in our state may be useful. The state has the exclusive control of any income taxes. The state has been reducing the rate of the income tax to put North Dakota into a favorable position when compared to other states looking to attract new industry. Second is the sales tax, The state and local government share this resource. The state has a much larger share. Collections are seldom problematic since the rate is low in proportion to purchases. Many sales are exempted from this tax. Third is the property tax. It is expensive to collect. Its bill appears in one lump sum amount just before Christmas. It is unpopular with almost everyone. Even substantial state tax relief has not gained it many fans. Many exemptions also exist.

Local government is facing the possibility of caps on the property tax and now a proposed cap on the sales tax and a barrage of requests for exemptions that further limit the use of sales tax. For extraordinary city expenditures like an additional fire station, new or updated equipment or economic development projects aimed at enhancing the tax base, the sales tax is a very valuable tool. Local government seldom has available funds for a substantial infrastructure investment . Most firms looking to do

business in the state require municipal services and they require a commitment prior to a decision to locate or relocate.

Each sales tax issue is required by most, if not all, home rule charters to be approved by the voters. I cannot imagine a more direct control on spending than to have the voters agree to tax themselves for a specific purpose. Putting together a sales tax proposal is a tedious process and it requires broad-based civic support to be successful. The proposed cap on use of the sales tax at 3 percent is a definite impediment to city efforts to attract business or to fund things the public agrees are needed in the community. With a 3 percent cap many issues cannot even be brought to the electorate for a vote.

We recognize that there is a practical limit to the sales tax rate the public will accept. That limit could be respected with the rate cap being proposed or perhaps it would be interesting to learn what rate either the sales or property tax would need to be set at to produce the present revenue level if there were no exemptions. Alternately, how much revenue would each tax raise at the present rate without the exemptions that are presently in statute.

Mr. Chairman and committee members, The North Dakota League of Cities is concerned about the proposed cap on sales tax levies for local government and we ask for a Do Not Pass recommendation on House Bill 1552. We are also willing to sit down and talk further about both property and sales tax exemptions.