

**1999 HOUSE TRANSPORTATION**

**HB 1111 .**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1111

House Transportation Committee

Conference Committee

Hearing Date January 8, 1999

Tape Number	Side A	Side B	Meter #
1		x	0.9-16.0
Committee Clerk Signature <i>J. Anderson</i>			

Minutes:

CHAIRMAN KEISER opened the hearing on HB 1111; A BILL RELATING TO THE MOTOR VEHICLE EXCISE TAX EXEMPTION FOR TRANSFERS OF MOTOR VEHICLES IN BUSINESS REORGANIZATION.

GARY ANDERSON, Director, Sales & Special Taxes, Office of State Tax Commissioner introduced the bill. (See attached testimony).

CHAIRMAN KEISER: Please explain the fiscal note.

GARY explained that most requests in regards to this exemption fall within the 60 day window, but there are a handful of situations that are turned down. The fiscal note is reflective of a handful of the times.

CHAIRMAN KEISER: It is your estimation that between \$9,200 and \$46,000 will be lost from the general fund if this bill passes?

GARY answered yes.

REP. JENSEN asked about the 60 day grace period. Is it in the regulations?

GARY answered that for years that 60 day window has been used. That is the point of reorganization. It is a policy that we use. We wonder why it can't be 180 days? This bill will draw a line in the sand that there is no question about it. There is nothing beyond that time frame.

REP. JENSEN asked again about why it is put in the code.

GARY said that it is an administrative policy, it is not in the code.

REP. JENSEN asked if it could be changed from 60 days to 180 days.

GARY said that the committee could very well do that. 180 days is an acceptable argument, but the committee should know that the tax department is trying to work with the public.

REP. KEMPENICH said that they can constrict or restrict a law, but they can't liberalize it. They must have in law what to start with and bring agencies attention to what is passed.

REP. MEYER asked if the 60 days is from the point of death or the point of estate closure.

GARY said that they are not provided with that information. It references the point of organization.

REP. MEYER asked him to define line seven referring to when that time span kicks in.

GARY said that under the motor vehicle excise law, a person has 30 days to register a vehicle after the date of purchase. The 60 day window is set up because they are doing a lot more than simply registering the vehicle; there is more paperwork. The 30 day window was expanded to take that into consideration.

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House Transportation Committee

Bill/Resolution Number 1-8 minutes.2

Hearing Date January 8, 1999

CHAIRMAN KEISER closed the hearing on HB 1111.

COMMITTEE WORK

REP. KEMPENICH moved to DO PASS on HB 1111. REP. JENSEN seconded the motion.

The motion carried.

ROLL CALL - 14 YAE, 0 NAE, 1 ABSENT AND NOT VOTING

FLOOR ASSIGNMENT: REP. LEMIEUX

## FISCAL NOTE

Return original and 14 copies)

Bill/Resolution No.: HB 1111

Amendment to: \_\_\_\_\_

Requested by Legislative Council

Date of Request: 12/29/98

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

**Narrative:** HB 1111 provides for an exemption from the motor vehicle excise tax for vehicles transferred in a business re-organization, provided the title transfer occurs within 180 days of the re-organization. HB 1111 is expected to reduce revenues by \$10,000 to \$50,000 for the 1999-2001 biennium.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			-\$9,200 to -\$46,000	-\$800 to -\$4,000		
<b>Expenditures</b>						

3. What, if any, is the effect of this measure on the budget for your agency or department:

a. For rest of 1997-99 biennium: \_\_\_\_\_

**(Indicate the portion of this amount included in the 1999-2001 executive budget:)**

b. For the 1999-2001 biennium: \_\_\_\_\_

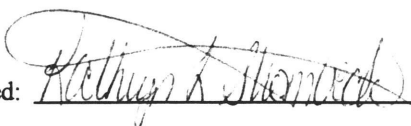
**(Indicate the portion of this amount included in the 1999-2001 executive budget:)**

c. For the 2001-03 biennium: \_\_\_\_\_

4. County, city, and school district fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed  
attach a supplemental sheet.

Signed: 

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 7, 1999

Phone Number: 328-3402

Date: 1/8  
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1111

House Transportation Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do pass

Motion Made By Rep. Kempenich Seconded By Rep. Jensen

Representatives	Yes	No	Representatives	Yes	No
Representative Keiser, Chair	X		Representative Thorpe	X	
Representative Mickelson, V. Ch.	X				
Representative Belter	X				
Representative Jensen	X				
Representative Kelsch	X				
Representative Kempenich	X				
Representative Price	X				
Representative Sveen	X				
Representative Weisz	X				
Representative Grumbo	X				
Representative Lemieux	X				
Representative Mahoney	X				
Representative Meyer	X				
Representative Schmidt	X				

Total (Yes) 14 No 0

Absent 1

Floor Assignment Rep Lemieux

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)  
January 8, 1999 12:11 p.m.

Module No: HR-04-0422  
Carrier: Lemieux  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1111: Transportation Committee (Rep. Keiser, Chairman) recommends DO PASS**  
(14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1111 was placed on the  
Eleventh order on the calendar.

**1999 SENATE TRANSPORTATION**

**MB 1111**



1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1111

Senate Transportation Committee

Conference Committee

Hearing Date February 12, 1999

Tape Number	Side A	Side B	Meter #
1	x		0 to 1343
February 26, 1999 - Tape 1	x		1553-1863
Committee Clerk Signature <i>Ann D. Schaeffer</i>			

Minutes:

SENATOR B. STENEHJEM opened the hearing on HB1111. Committee members present included: Sens. Bob Stenehjem, R. Schobinger, D. Mutch, D. Cook, D. O'Connell, V. Thompson, and D. Bercier.

GARY ANDERSON testified in support of HB 1111 (see testimony). This bill deals with reorganized business being exempt from sales tax and laws relating to the exemption of bill reorganized vehicles and the fiscal impacts of missing these vehicles.

SENATOR B. STENEHJEM By leaving this bill as is, is this bill also with an inheritance or gift?

GARY ANDERSON There is a broad exemption in this area (subsection 5) and the clauses would not cover any additional items in this subsection.

SENATOR B. STENEHJEM I have a problem with someone inheriting a vehicle and forgetting to change the title and having to pay the excise tax on non-business vehicles.

GARY ANDERSON We do not see that as a problem; the involvement isn't of such a great concern in a delayed situation.

SENATOR MUTCH What about transferring within the family and still getting stuck with an excise tax and the length of time it takes to get the vehicle transferred over?

GARY ANDERSON The difference between a corporation that is reorganizing and a corporation that is dissolving is the law does allow the transfer to take place in this case, two existing corporations transferring vehicles from one corporation to another corporation. The law would not be in effect and they owe the tax.

SENATOR MUTCH Whether they're gifted or what they are?

SENATOR COOK What if it is a sole partnership and when does the 180 days start?

GARY ANDERSON It takes place at the time of reorganization, defined as the time that you file the articles of incorporation.

SENATOR COOK If I gave my daughter a vehicle as a gift when is the effective date of title transfer and excise tax?

GARY ANDERSON It would need to be registered within 30 days of the transfer and leeway is given to gift scenarios. When the papers are signed, that's when the transfer takes place

SENATOR B.STENEHJEM Are there any questions?

DISCUSSION

SENATOR B.STENEHJEM Is anyone else in support or in opposition of this bill?

KEITH KISER We take no position on this bill and will answer questions because of reorganization by addressing this situation.

SENATOR MUTCH To reorganize and transfer from an individual to a corporation, you have six months to renew your title registration, that is more time than you had before didn't you?

KEITH KISER It is 45 days currently. There is a provision in today's law that says the seller must give the buyer the title within fifteen days of the sale and the buyer has 30 days to process the title. This process is most often overlooked. This process would now go to 180 days

SENATOR MUTCH The problem with transferring titles, you would be exempt from sales tax but still have to pay for a license.

KEITH KISER This bill refers back to the clean up bill and the transfer of the licensing fee along with the transfer of the vehicle title. This is where SB2161 processes this clause and at this point there is no recharging of the licensing fees, but in the future there may be.

SENATOR MUTCH: 180 days. A person would have to be well aware of this transfer and to keep in mind that this is the only time frame.

KEITH KISER We've been working with the Secretary of State's office trying to get the information from them as well.

SENATOR B.STENEHJEM: What are the amendments and the effects on this bill due to SB2161.

KEITH KISER We have limited authority to set up a transfer of licensing fee credits and may have to readdress this issue.

SENATOR B.STENEHJEM Does anyone else wish to testify on HB1111?

SENATOR B. STENEHJEM We will close the hearing on HB 1111.

Page 4  
Senate Political Subdivisions Committee  
Bill/Resolution Number hb1111trans  
Hearing Date February 12, 1999  
February 26, 1999 - Tape 1- #1553

SENATOR THOMPSON Is this the one that transfers vehicles into organized business?

SENATOR B. STENEHJEM Yes.

SENATOR COOK I move a Do Pass on HB 1111.

SENATOR O'CONNELL Second.

SENATOR THOMPSON What was the reason for the reduction because of the title transfer?

SENATOR B. STENEHJEM They didn't allow the titles to be transferred in some cases but they had to pay the tax. Now they are going to allow for that. There will be a used tax law.

SENATOR O'CONNELL They probably forgot a vehicle when they went in and now it gives them more time.

SENATOR COOK The fiscal note gave quite a range.

A roll call vote was taken (7 Yeas, 0 Nays and 0 Absent and Not Voting).

Senator Thompson will carry HB 1111.

Date: Feb. 26, 1999

Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB1111

Senate Transportation Committee

Subcommittee on \_\_\_\_\_

or

Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken No Pass

Motion Made By Sen. Cook Seconded By Sen. O'Connell

Senators	Yes	No	Senators	Yes	No
Sen. B. Stenejem-Chairman	X				
Sen. R. Schobinger-V. Chair	X				
Sen. Duane Mutch	X				
Sen. Dwight Cook	X				
Sen. David O'Connell	X				
Sen. Vern Thompson	X				
Sen. Dennis Bercier	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Thompson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)  
February 26, 1999 12:59 p.m.

Module No: SR-35-3668  
Carrier: Thompson  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1111: Transportation Committee (Sen. B. Stenehjem, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1111 was placed on the Fourteenth order on the calendar.**

**1999 TESTIMONY**

**HB 1111**

## HB 1111

Testimony by  
Gary L. Anderson  
Director, Sales & Special Taxes  
Office of State Tax Commissioner

Chairman Keiser; Committee Members. I am here today, representing the Office of State Tax Commissioner, asking for your support of House Bill 1111. The Office of State Tax Commissioner is proposing an amendment to Subsection 5 of section 57-40.3-04 of the North Dakota Century Code, which would allow an extension of time for the transfer of motor vehicles to reflect a new name of the owner caused by a business reorganization.

Currently, motor vehicles transferred due to a business reorganization are exempt provided the transfer occurs at the time the reorganized business is established and the original owner of the motor vehicle is a member of the reorganized business. Examples of a reorganized business may include a sole proprietor becoming a partner in a partnership, a sole proprietor or partnership reorganizing into a corporation, or a merger or redistribution of assets between a subsidiary and a parent corporation.

Several times during the year, the Motor Vehicle Division and our department receive requests for this motor vehicle excise tax exemption on the transfer of a motor vehicle or motor vehicles due to a business reorganization. Most are approved for exemption from tax, as they are being transferred at the time of the business reorganization. Administratively, a grace period of sixty days beyond the date of business reorganization is provided to the reorganized business in an effort to recognize the time necessary to complete all the responsibilities incurred by the establishment of a reorganized business.

However, we do receive requests for this exemption from a small number of individuals and businesses failing to initiate the transfer of a motor vehicle or motor vehicles within the sixty-day grace period. In such situations, the reorganized business is required to pay motor vehicle excise tax on the transferred vehicles based on their fair market value.

This amendment would respond to this concern by providing an extended, yet reasonable, window of opportunity to transfer motor vehicles into a reorganized business.

We would ask your consideration and support for HB 1111.



## HB 1111

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Several times during the year, the Motor Vehicle Division and our department receive requests for this motor vehicle excise tax exemption on the transfer of a motor vehicle or motor vehicles due to a business reorganization. Most are approved for exemption from tax, as they are being transferred at the time of the business reorganization.

However, we do receive requests for this exemption from a small number of individuals and businesses failing to initiate the transfer of a motor vehicle or motor vehicles at the time of the business reorganization. When this occurs, it is often a result of a motor vehicle simply being overlooked. The reorganized business experiencing this problem is required to pay motor vehicle excise tax on the delayed transferred of a vehicle or vehicles based on the fair market value, as the registration did not occur at the time of the business reorganization.

This amendment would respond to this concern by providing an extended, yet reasonable, window of opportunity to transfer motor vehicles into a reorganized business. This change would provide the reorganized business 180 days to complete the transfer, as an effort to recognize the time necessary to complete all the responsibilities associated with a reorganization.

We would ask your consideration and support for HB 1111.

HB 1111

Fiscal Note Analysis

Extending the time to transfer motor vehicles due to business reorganization to 180 days:

Approximately 5 requests per year:

4 calls reference transfer of one ("1") motor vehicle

Average fair market value	\$10,000
times 4 calls	<u>X 4</u>
Total value	\$40,000
times tax rate	<u>X 5%</u>
Motor Vehicle Excise Tax	\$ 2,000

1 small to medium motor vehicle fleet request per year; i.e., farm vehicles for incorporated farming operation, etc.

Average fleet value	\$65,000
Fleet value (\$30,000-\$100,000)	
times tax rate	<u>X 5%</u>
Motor Vehicle Excise Tax	\$ 3,250

Estimated Fiscal Impact :

Year 1	(\$2,000 + \$3,250)	=	\$ 5,250
Year 2		=	<u>\$ 5,250</u>
	Total for Biennium		\$10,500
			=====

Revenue effect: Reduction \$10,000 to \$50,000.

For the past three years, the calls have generally been consistent with the number and values provided above. Therefore the anticipated revenue reduction in a typical biennium is \$10,000. However, if in the event all five calls were reflective of only fleets valued at \$100,000, the maximum tax effect for the biennium could equal \$50,000 (\$100,000 value X 5 calls X 5% tax X 2 years).

Prepared by GLA  
Office of State Tax Commissioner