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ROLL NUMBER

DESCRIPTION

3019

2001 HOUSE FINANCE AND TAXATION

HCR 3012

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HCR 3012

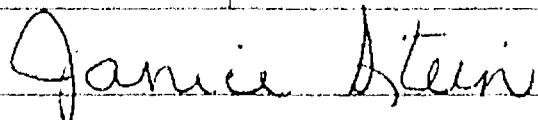
House Finance and Taxation Committee

Conference Committee

Hearing Date February 7, 2001

Tape Number	Side A	Side B	Meter #
1		X	497

Committee Clerk Signature



Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing.

REP. FRANK WALD, DIST. 37, DICKINSON Introduced the resolution. He stated in 1998, that Congress and the President signed a law which was known as the Internet Tax Freedom Act, giving it a three year moratorium and opposing any state or local taxes on E Commerce or Internet type sales. I think this is very unfair to the local merchants. It is not a level playing field. Your local merchants service on the school board, they serve as county commissioners, they serve on the legislature and are involved in all kinds of service clubs, where the person you are doing business with in New York or Chicago on the internet doesn't help the North Dakota economy one bit. We are losing millions of dollars of tax revenue by not being able to tax E Commerce or internet transactions. The way that tax would be collected would be to establish some kind of a quasi governmental agency that would remit the tax money to the various state tax agencies. The mechanics can be put into place, it can work.

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REP. CARLSON Have you ever purchased anything on the internet?

REP. WALD No

REP. CARLSON Have you ever contemplated and figured out that the shipping is usually more than the tax?

REP. WALD Since I don't use the internet, I have no idea.

REP. DROVDAL Would you also not agree, that the local merchant has to pay freight in order to get it to his place, so there would be no difference one way or the other?

REP. WALD Yes, to get that into a store in North Dakota, obviously, there will be freight, but it becomes part of the purchase price.

REP. CARLSON Do you remember the American Legislative Exchange Council?

REP. WALD Yes, I was the state chairman for about eight years.

REP. CARLSON They have taken a very strong position over the years, that the internet should not be taxed, why are you disagreeing with your own organization?

REP. WALD No one organization can be one hundred percent right all the time.

REP. BRANDENBURG Stated he shared his concern.

REP. DROVDAL I have seen figures of projected losses, but I have made purchases over the internet, they were items I could not get in my local community. One of my local merchants is on the internet for sales, but those items are taxed, because he sells them in the state of North Dakota.

REP. GROSZ With us trying to get every nook and crannie on the internet and with the dot coms going bankrupt, this would be one more barrier for those that want to help us develop the internet.

REP. WALD I thought the internet was more of a communication tool, then for us to buy merchandise. While there are E Commerce type warehouses going broke, I guess that is the nature of the beast. In my town, when Walmart moved in, three hardware stores closed, that is business.

REP. WINRICH I think it is important to note, I don't view this as an anti-internet resolution at all. I support the concept. I think we will see increasing internet sales, that is the nature of business now, it is part of the global issue, but I hate to see the demise of local businesses as well, but certainly, the variety of products available on the internet is staggering. Local businesses can't compete with it. This does severely impact a source of revenue to virtually, all of the states, I would think something needs to be done.

REP. CARLSON Are you familiar with the case, Quill vs. North Dakota?

REP. WALD Yes, that was catalogue sales.

REP. CARLSON Is that different?

REP. WALD If I call them on the phone, that is different.

REP. CARLSON In most cases, catalogue sales are not taxed. We must understand, there is a comparison, and we lost a lot of the state's money in Quill vs. North Dakota, only to be proven that you cannot tax those sales.

REP. WINRICH If you buy tools or hardware from Amazon.com, you are supporting a North Dakota business, Tool Crib of the North, is the Amazon.com division.

REP. CLARK Many of us have bought things from Cabbel's, what you are saying here, if I buy from their catalogue, I pay no sales tax, but if I look up their catalogue on the internet, I would be responsible for paying a tax?

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REP. WALD We live in an imperfect world.

REP. CLARK Nordic Needle in Fargo is the largest supplier of Nordic supplies in the world.

because of their catalogue sales, they have now moved to the internet. There is a place in Wadena, MN, that sells lawn furniture, and when they put up a web site, last July, when it was hot out, they were getting sixteen hundred hits a day.

REP. DROVDAL I look at this as not a tax, it is only saying, it is removing an obstacle for the states who have currently taxed it, to start working together to come up with a unified tax code, so if they so choose, they can put a tax on it.

REP. WALD All we are saying is put a moratorium on it.

CONNIE SPRYNCZYNATYK, LEAGUE OF CITIES Testified in support of the resolution.

This is a states' rights issue. We are not talking about taxing the internet, we are talking about Capturing sales tax revenue on remote sales, which have to include catalogue sales. We have already lost millions of dollars in catalogue sales. When we talk about a local level, if you want to make this real, the fact of the matter is, there are many political subdivisions, cities and counties that rely on services. If you are a main street merchant or if you live in a community, and you have a fire, do you want me to fax you a picture of a fire engine, or do you want us to send a big red one.

We need Congress to stop messing in our business.

REP. CARLSON It is a little bigger than them messing in our business, because we would need fifty different taxes to deal with.

MILES VOSBERG, STATE TAX DEPARTMENT Mentioned a few things. Regarding the Tax Freedom Act, sales being sold over the internet are being taxed. It is a states' rights issue. This resolution, if the Tax Freedom Act is ended, it will not mean sales over the internet will automatically be taxed, there is always that question whether a company has some type of presence in the state, the same issue as Quill vs. North Dakota. What the Tax Freedom Act did do, was prevent states from taxing internet service.

REP. KELSH Do you have any figures what the state is collecting on internet sales?

MILES VOSBERG I don't know that we do because our system is set up by an FIC code, each permit has a code that tells what type of business it is based on. If they have stores here, they have to collect the tax.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 2-12-01, Tape #1, Side A, Meter #1560

REP. DROVDAL Made a motion for a **DO PASS**

REP. LLOYD Second the motion. **MOTION CARRIED.**

REP. GROSZ Felt we were sending a mixed signal regarding the internet. He felt the internet helps our small towns.

REP. DROVDAL Stated we were not taxing the internet with this resolution. Only the e-commerce on the internet.

MOTION CARRIED WITH 7 yes 6 no 2 absent

REP. DROVDAL Was given the floor assignment.

Date: 3-13-01
Roll Call Vote #: 1

**2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HCR 3012**

House FINANCE & TAXATION Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number

Action Taken **Do** **Pass**

Motion Made By Rep. Drysdale Seconded By Rep. Lloyd

Total (Yes) 7 No 6

Absent 2

Floor Assignment Ref. Drovda

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

REPORT OF STANDING COMMITTEE (410)
February 12, 2001 10:34 a.m.

Module No: HR-25-3017
Carrier: Drovdal
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HCR 3012: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO PASS (7 YEAS, 6 NAYS, 2 ABSENT AND NOT VOTING). HCR 3012 was placed on the Eleventh order on the calendar.

2001 SENATE FINANCE AND TAXATION

HCR 3012

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 3012

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 3/12/01

Tape Number	Side A	Side B	Meter #
1		x	34.8-41.6
2	x		51.3-53.2

Committee Clerk Signature *Lynelle L. P. Sargent*

Minutes:

Senator Urlacher: Opened the hearing on HCR 3012, urging Congress to reject any attempt to extend the Internet tax freedom act moratorium on imposition of state and local taxes on Internet access and on electronic commerce transactions.

Senators Nichols and Christmann absent from the hearing.

Representative Frank Wald: Co-sponsored the bill, testified in support. 3012 simply asks Congress not to extend the moratorium on taxing Internet sales. When you buy something off the Internet, there's no sales tax. I think we're losing millions of dollars in revenue. I don't know why Congress put a moratorium on it, I hope they would not extend that and allow states to form the compact through NCSL.

Senator Urlacher: There are estimates that we probably are losing \$2 million dollars and in 4-5 years that could be \$20 million. Is that a ball park figure?

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Senate Finance and Taxation Committee
Bill/Resolution Number 3012
Hearing Date 3/12/01

Representative Frank Wald: I think that's true. As people become more familiar with the Internet and how to use it, I think you're going to see sales escalate.

Senator Urlacher: Our local businesses our at a 5 ½% disadvantage.

Representative Frank Wald: Right out of the shoot, the merchant is 6% behind in terms of being competitive.

Bill Popp: From Milnor representing himself, testified in support. I work in a hardware store, sometimes we don't have a shot, people will buy the product that's not taxed. It does hit home.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held later. Meter number 51.3-53.2

COMMITTEE ACTION:

Motion made by Senator Wardner for a DO PASS & PLACED ON THE CONSENT CALENDAR, Seconded by Senator Stenohjem. Voice Vote taken. All in favor.

Date: 3/12/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2012

Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass's, Placed on Consent Calendar (Voice Vote)

Motion Made By Wardner Seconded By Stenehjem

Total (Yes) 6 No 0

Absent

Floor Assignment Stenhouse

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

REPORT OF STANDING COMMITTEE (410)
March 13, 2001 10:41 a.m.

Module No: SR-43-5439
Carrier: Stenohjem
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HCR 3012: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HCR 3012 was placed on the Tenth order on the calendar.