

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2181

2001 SENATE FINANCE AND TAXATION

SB 2181

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2181

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/23/01

Tape Number	Side A	Side B	Meter #
1	x		18.6-end
		x	0-8
2		x	2.4-11.2
1/30/01 - 2		x	49.2-end
3	x		0-11.2
1/31/01 - 2	x		23.1-37.5
Committee Clerk Signature <i>Suzanne M. Frost</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2181, relating to limitations on the sales tax exemption for rentals of motor vehicles.

Senator Jack Traynor: Introduced the bill, testified in support. Written testimony attached.

Senator Urlacher: On the collection, the company would collect just like any other company?

Senator Jack Traynor: Yes.

Senator Nichols: With regard to the \$150,000 of other funds, would that projection be collected by the cities?

Senator Jack Traynor: I don't know.

Gary Anderson: ND Tax Dept., appeared to clarify fiscal note.

Jack McDonald: Enterprise Rent-a-Car, testified in opposition. It's ND citizens who primarily rent the cars, because their cars are being repaired. People are not flocking to ND like other states.

Scott Bothfield: Enterprise Rent-a-Car, testified in opposition. Written testimony attached.

Senator Nichols: What is the average number of days individuals rent a car?

Scott Bothfield: 80% is to local renters. Average dealership rental-2 ½ days, average insurance replacement -10 to 15 days.

Senator Stenehjem: How many vehicles does Enterprise have registered in ND?

Scott Bothfield: About 350-400, depending on the time of year.

Senator Stenehjem: How many vehicles have you purchased in the last year in ND, that you've paid the 5% excise tax on?

Scott Bothfield: About 300.

Senator Christmann: What taxes do other states have?

Jill Bergquist: Enterprise Rent-a-Car, explains other states' taxes and provides handout.

Senator Wardner: Asks about use tax and excise tax.

Jill Bergquist: Clarifies the taxes.

Senator Christmann: Each year when you reregister the vehicle, you have your registration fee plus the 5% tax on that in SD?

Jill Bergquist: No, not in SD.

Senator Stenehjem: How many total vehicles does Enterprise have in their rental fleet?

Scott Bothfield: ½ million nationwide.

Dan House: Operator of Avis Rental, testified in opposition. Feels it is a double taxation.

Shares some of the same reasons with Scott Bothfield. Our business is serves people primarily out of state. Meter number 38.6-52.7.

Senator Wardner: What percent do you charge on your billing to recover the registration and the licensing?

Dan House: Nothing.

Senator Wardner: In other states, as far as your company, the rate is the same?

Dan House: Pretty much, there are some exceptions.

Senator Stenehjem: You would rather do is be exempt from paying the initial excise tax, and pay it based on a daily rental? And you would like to pay you licensing fee based on the same criteria?

Dan House: Yes.

Senator Christmann: What prevents you from putting a few percent on to the bill to help re-coop the costs of your original excise tax and registration fees? Market or law?

Dan House: No law that prevents this. Other states are doing it. Avis Corporation prevents me.

Jill Bergquist: Stands to clarify question about adding a tax to re-coop.

Scott Bothfield: Stands to clarify how cars are plated in ND vs. SD.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held 1/30/01. Meter number 49.2-end, Tape 2, side B & 0-11.2, Tape 3, Side A.

Senator Stenehjem to come up with amendment.

Discussion held 1/31/01. Meter number 23.1-37.5.

Senator Stenehjem explained the amendment.

Jack McDonald: Appeared to state agreement with amendment.

Page 4
Senate Finance and Taxation Committee
Bill/Resolution Number 2181
Hearing Date 1/23/01

AMENDMENT ACTION:

Motion made by Senator Wardner, Seconded by Senator Christmann, to move the amendment numbered 10130.0101. Voice Vote taken. All in favor, amendment adopted.

COMMITTEE ACTION: 1/31/01

Motion was made for DO PASS AS AMENDED & REREFFERED TO APPROPRIATIONS by Senator Christmann, Seconded by Senator Wardner. Vote was 5 yeas, 1 nay, 0 absent and not voting. Bill carrier was Senator Stenehjem.

FISCAL NOTE
 Requested by Legislative Council
 04/10/2001

Bill/Resolution No.:

Amendment to: Reengrossed
 SB 2181

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$1,998,000	\$174,000		
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2181 Second Engrossment with Conference Committee Amendments imposes the state sales tax on car rentals. It also imposes a 3% surcharge on car rentals, which offsets motor vehicle excise tax paid by car rental companies on the vehicles added to their fleet. Revenues from the 3% surcharge in excess of motor vehicle excise taxes are to be remitted to the state and distributed as sales tax revenues.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The provisions of SB 2181 Second Engrossment with Conference Committee Amendments that subject car rentals to state sales tax are expected to increase State General Fund and State Aid Distribution Fund revenues by \$1.872 million during the 01-03 biennium. The 3% surcharge provisions are expected to generate an additional \$300,000 of biennial revenue in excess of motor vehicle excise taxes, which will be distributed to the State General Fund and State Aid Distribution Fund.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect*

on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	04/10/2001

FISCAL NOTE

Requested by Legislative Council

03/16/2001

Bill/Resolution No.:

Amendment to: Reengrossed
 SB 2181

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$276,000	\$24,000		
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2181 Second Engrossment with House Amendments imposes a 3% surcharge on car rentals, which offsets the motor vehicle excise tax paid by car rental companies on vehicles added to their fleet. Revenues from the 3% surcharge in excess of motor vehicle excise taxes are remitted to the state and distributed as sales tax revenues.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The 3% surcharge is expected to generate \$276,000 in state general fund revenues during the 01-03 biennium.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	03/19/2001

FISCAL NOTE
 Requested by Legislative Council
 02/15/2001

Bill/Resolution No.:

Amendment to: Engrossed
 SB 2181

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$1,998,000	\$174,000		
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2181 Second Engrossment imposes the state sales tax on car rentals. It also imposes a 3% surcharge on car rentals, which offsets the motor vehicle excise tax paid by car rental companies on the vehicles added to their fleet. Revenues from the 3% surcharge in excess of motor vehicle excise taxes are remitted to the state and treated as sales tax revenues.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The provisions of SB 2181 Second Engrossment that subject car rentals to the state sales tax are expected to increase State General Fund and State Aid Distribution Fund revenues by \$1.872 million during the 01-03 biennium. The 3% surcharge provisions are expected to generate an additional \$300,000 of biennial revenue in excess of motor vehicle excise taxes, which will also go to the State General Fund and the State Aid Distribution Fund.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect*

on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	02/20/2001

FISCAL NOTE

Requested by Legislative Council
02/02/2001

Bill/Resolution No.:

Amendment to: SB 2181

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$1,722,000	\$150,000		
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Engrossed SB 2181 removes the exemption for short-term leases of automobiles, subjecting car rentals to state sales tax. It also enables cities to impose a 1% city tax on car rentals and allows rental companies to collect a 3% surcharge to offset motor vehicle excise taxes paid.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The provisions of Engrossed SB 2181 that subject car rentals to sales tax are expected to increase State General Fund and State Aid Distribution Fund revenues by \$1.872 million during the 01-03 biennium. The city tax and surcharge provisions depend on actions by the cities and rental companies and the possible fiscal impact of these provisions (Sections 1 and 2 of Engrossed SB 2181) cannot be determined.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	02/11/2001

FISCAL NOTE

Requested by Legislative Council
01/11/2001

Bill/Resolution No.: SB 2181

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$1,722,000	\$150,000		
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2181 removes the exemption for short-term leases of automobiles, subjecting car rentals to sales tax.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

SB 2181 is expected to increase State General Fund and State Aid Distribution Fund revenues by \$1.872 million during the 01-03 biennium.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	01/17/2001

Date: 1/31/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2181

Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 10130.0101

Action Taken Move Amendment (Voice Vote)

Motion Made By Wardner Seconded By Christmann

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman					
Senator Wardner-Vice Chairman					
Senator Christmann					
Senator Stenehjem					
Senator Kroeplin					
Senator Nichols					

Total (Yes) 10 No 0

Absent 0

Floor Assignment _____

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

Date: 1/31/01
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2181

Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass ^{as amended}, rereferred to Appropriations

Motion Made By Christmann Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin	✓				
Senator Nichols		✓			

Total (Yes) 5 No 1

Absent 0

Floor Assignment Stenehjem

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

REPORT OF STANDING COMMITTEE

SB 2181: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2181 was placed on the Sixth order on the calendar.

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 40-57.3 and a new section to chapter 57-39.2 of the North Dakota Century Code, relating to authority of cities to impose motor vehicle rental taxes and a rental company surcharge on motor vehicle rentals;"

Page 1, after line 4, insert:

"**SECTION 1.** A new section to chapter 40-57.3 of the North Dakota Century Code is created and enacted as follows:

City motor vehicle rental tax - Imposition - Amount - Disposition. The governing body of any city may impose by ordinance a city tax at a rate not to exceed one percent upon the gross receipts from the lease or rental of motor vehicles for fewer than thirty days. Net revenue from a tax imposed under this section must be deposited in the city visitors' promotion fund. Taxes imposed under this section must be collected by the tax commissioner as provided under section 40-57.3-04.

SECTION 2. A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

Surcharge on rental motor vehicles. A rental company engaged in the business of renting motor vehicles for periods of fewer than thirty days may collect a three percent surcharge on each rental contract at the time a vehicle is rented from the company in this state. A vehicle is considered rented in this state if possession is obtained by the renter in this state. The surcharge may be computed on the total dollar amount for the rental as stated in the rental contract, excluding taxes.

1. A surcharge under this section must be noted in the rental contract and collected in accordance with the terms of the contract.
2. On February fifteenth of each year, a rental company that collects surcharges under this section shall file a report with the commissioner stating the total amount of excise taxes paid under chapter 57-40.3 on its rental vehicles for the preceding calendar year and the total amount of rental motor vehicle revenues earned on rentals in this state for the preceding calendar year. All surcharge revenues collected during the calendar year by the rental company in excess of the total amount of excise taxes paid under chapter 57-40.3 during the calendar year by the company on rental motor vehicles must be remitted to the commissioner with the report and considered sales tax collections under this chapter.
3. For three years after filing the report under this section the rental company shall retain copies of rental contracts and the commissioner may require the rental company to furnish copies of rental contracts for purposes of ensuring compliance with this section."

Page 1, line 9, after "exempt" insert "but taxes imposed under home rule authority do not apply to such rentals"

Renumber accordingly

2001 SENATE APPROPRIATIONS

SB 2181

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2181

Senate Appropriations Committee

Conference Committee

Hearing Date February 12, 2001

Tape Number	Side A	Side B	Meter #
Tape #1	x		18.2-54.2
Committee Clerk Signature <i>James G. Gutsch</i>			

Minutes:

Senator Nething opened the hearing on SB2181.

Senator Stenehjem, District 30, Bismarck, testified in support of the bill.

Senator Tomac: Fiscal note -- decrease?

Senator Nething: There is a new fiscal note --no decrease.

Senator Stenehjem: State revenue of 1.7.

Senator Tomac: Apply for refund?

Senator Stenehjem: Only on the 3% surcharge.

Senator Bowman: A double tax?

Senator Stenehjem: Rental companies pay excise tax of 5%; recoup 3% surcharge; customer pays part of the excise tax.

Senator Solberg: Where does the 1.7 come from?

Senator Stenehjem: 5% rental car excise sales tax.

Page 2

Senate Appropriations Committee

Bill/Resolution Number SB2181

Hearing Date February 12, 2001

Senator Bowman: Sales tax?

Senator Stenehjem: Car rental agencies pay excise tax -- they are charged tax on the original purchase. Now charge sales tax on excise tax paid on original.

Gary Anderson, Tax Department, testified in a neutral position: Fiscal note: same. Section 1-city tax: no effect to the state. Section 2 surcharge tax of 3% may --- not sure of the numbers of ones that will apply. Additional .9 million tax if all daily rental companies charge. 3% surcharge offsets motor vehicle excise tax of 5%. 3% collected applies against the 5% paid. If you apply 3% collected against 5% paid --example 10 cars at 20,000 less 3% paid (25,000 leaves 5,000.

Senator Tallackson: Don't the rental companies work the excise tax into the cost of rental?

Gary Anderson: Bill would allow. Could do other ways.

Senator Tomac: Offsetting fiscal note should be shown?

Gary Anderson: Tax collections go into the general fund. Excess 3% surcharge to the general fund; surcharge new application -- increase over/beyond--may but not sure of projected revenue.

Senator Tomac: 1.7?

Gary Anderson: Represents section 3. 5% sales tax

Senator Tomac: Rental companies -- when they buy pay excise; collect surcharge?

Senator Robinson: Line 19: may/shall fiscal impact?

Gary Anderson: Variables -- if all apply 3% on top of 5% --- .9 million biennium. 75% of rental cars rotate --- these are iffy numbers; could be an increase to general fund -- 300 thousand if...

Senator Schobinger: No new purchases but pay 3% surcharge -- go to state?

Gary Anderson: Yes, total of 3% collected.

Senator Schobinger: New purchases apply surcharge to excise.

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Senate Appropriations Committee

Bill/Resolution Number SB2181

Hearing Date February 12, 2001

Senator Heitkamp: Other states use this "shell game"?

Gary Anderson: Tax paid up front --- neighbor states no.

Senator Heitkamp: Why cities able to raise 1% on rental?

Gary Anderson: Should address sponsors -- not me. Allows 5%; 3% surcharge; 1% city.

Senator Andrist: Rental companies pay 8%? They pay 5% then 3% -- why?

Gary Anderson: Yes, correct --- only here to address fiscal note.

Rod Backman, Director of Office of Management and Budget, addressed that question. Some rentals purchase the vehicle(s) in another state -- avoiding the sales tax in North Dakota. The surcharge shall/ does enforce out of state to be on level playing field with those who purchase their cars in state.

Senator Bowman: Apply to airport rentals -- the city tax?

Rod Backman: Airports have own charges.

Senator Bowman: Visitors from Virginia -- rent car and pay the city of Bismarek?

Senator Traynor, District 15, Devils Lake spoke in support of the bill: He believes that car rentals at airports --customer pays the excise tax, and surcharge. Fiscal impact he is not aware of figure. Knows that in Rapid City there is a 4.5% tax that goes to tourism which makes a 20-21% tax on rentals in that city.

Senator Grindberg, District 41, Fargo: Section 1, killed the bill that would give 2% to tourism; by 2 to 1 members of the Midwest council.

Connie Sprynczynatyk (Lobbyist #057), North Dakota League of Cities: testified in support of SB2181 and noted that the last line of the amendment -- home rule charter doesn't apply.

Hearing closed as no further individuals wished to testify - for or against.

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Senate Appropriations Committee

Bill/Resolution Number SB2181

Hearing Date February 12, 2001

Following hearing: Senator Andrist moved for adoption of amendment to read shall instead of may on lines 19 and 22, page 1. Senator Tallackson seconded. Discussion on the amendment. Verbal vote moved the amendment. Discussion on the bill was tabled until the request of the Chair.

February 13, 2001 Full Committee Action (Tape #3, Side A; Meter No. 36.0-42.4)

Senator Nothing reopened the hearing on SB2181.

The amendment had been approved; discussion was on the bill.

Senator Solberg moved a DO PASS AS AMENDED; Senator Holmberg seconded.

Roll Call Votes: 12 yes; 2 no; 0 absent and not voting.

Floor assignment was given Senator Stenchjem -- with Senator Solberg indicating he would talk to Senator Stenchjem regarding the Senate Appropriation Committee amendment.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2181

Page 1, line 19, replace "may" with "shall"

Page 1, line 22, replace "may" with "^{must}shall"

Renumber accordingly

Date: 2-13-01

Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB.2181

Senate Appropriations Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 10130.0.201

Action Taken All Pass as Amended

Motion Made By Sen Solberg Seconded By Sen Holmberg

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac		✓			
Joel C. Heitkamp		✓			
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman	✓				
John M. Andrist	✓				

Total Yes 12 No 2

Absent 0

Floor Assignment Senator Stenehjem

If the vote is on an amendment, briefly indicate intent:
Sen Solberg will talk to Sen Stenehjem re: amendment.

REPORT OF STANDING COMMITTEE (410)
February 14, 2001 11:24 a.m.

Module No: SR-27-3300
Carrier: Stenehjem
Insert LC: 10130.0201 Title: .0300

REPORT OF STANDING COMMITTEE

SB 2181, as engrossed: Appropriations Committee (Sen. Nething, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2181 was placed on the Sixth order on the calendar.

Page 1, line 19, replace "may" with "shall"

Page 1, line 22, replace "may" with "must"

Renumber accordingly

2001 HOUSE FINANCE AND TAXATION

SB 2181

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2181

House Finance and Taxation Committee

Conference Committee

Hearing Date March 13, 2001

Tape Number	Side A	Side B	Meter #
2	X		180
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

REP. AL CARLSON, CHAIRMAN Opened the hearing.

SEN. JACK TRAYNOR, DIST. 15, Introduced the bill as the prime sponsor. He stated he had the bill drafted because his travel agent informed him, we were missing the boat. He stated North Dakota is the only state not imposing the sales tax on rental cars. He stated that Rapid City, South Dakota, imposes a ten and a half cent sales tax and the state a four and a half cent tax in addition to two percent. A person who rents a car in Rapid City pays twenty two percent sales tax. Sen. Traynor submitted amendments to the bill which would impose taxes on cars and not large trucks. It would cover pickups under the ten thousand pound limit.

GARY ANDERSON, SUPERVISOR OF SALES & SPECIAL TAXES, STATE TAX

DEPARTMENT, Testified in a neutral position. He explained how the mechanics of the bill and answered questions.

BILL SHALHOOB, NORTH DAKOTA HOSPITALITY ASSOCIATION Testified in

support of Section 1 of the bill. This deals with the promotion tax. Car rentals are as much a part of the tourism business as motel rooms, food and beverages. We struggle in all of our cities to find money for our promotions and marketing our cities. This would be a nice fee for that. We do pay a three percent fee to the State Tax Department for the privilege of putting our money through there, I am sure they have administrative expenses.

REP. CARLSON There already are taxes on food and lodging?

BILL SHALHOOB There is enabling legislation allowing the cities to impose a two percent lodging tax for promotions and also a one percent tax on food and beverages for capital construction purposes. There is an extra one percent on everything and an extra two percent on lodging. And, as most of you are aware, liquor is taxed two percent higher than any other product in the state of North Dakota.

REP. KROEBER You are in favor of Section 1, are you opposed to Section 2 and 3?

BILL SHALHOOB No, I understand Section 2 and 3 goes into the general fund, it doesn't speak to the hospitality industry at all.

REP. LLOYD If I have a rental company just on the outside of the city limits of Grand Forks, and I have a nice sign telling everyone to come and rent from me to save some money, that would be all right, I wouldn't have to collect the one cent sales tax?

BILL SHALHOOB That is correct, that is what happens if your business is located in the county, in Burleigh County. Those kinds of discrepancies exist right now.

JERRY HJELMSTAD, NORTH DAKOTA LEAGUE OF CITIES Testified in support of the bill. Stated it will be another tool for the cities to use to put more money in the visitor's funds.

REP. CARLSON Your support is more for Section 1 of the bill then the rest of it?

JERRY HJELMSTAD Section 1 is the one cities will be able to use as a tool.

REP. HERBEL Do all cities have a promotion fund?

JERRY HJELMSTAD No, they all wouldn't have that type of fund.

JACK MC DONALD, ENTERPRISE RENT A CAR, Testified in opposition of the bill. See attached written testimony. He stated Section 2 got in the bill because of a compromise on the Senate side. Part of the reason for Section 2, and the rebating, is to avoid the double taxation. The car company pays the five percent excise tax to begin with when they bought the car, then they pay the licensing fee, which is a tax, then another five percent tax when they rent the car out. They were paying five percent tax twice on the same car. Submitted amendments to the bill. He felt it should not just be restricted to the car rental companies.

SCOTT BOTHFELD, ENTERPRISE RENT A CAR Testified in opposition of the bill. See attached written testimony.

REP. LLOYD I got the impression that you were charging for cars at the airport, that when I came in to rent a car, that I was paying a tax for your rental agreement with the airport, why would you have an agreement that shows me I am paying a tax when actually it is the rent?

SCOTT BOTHFELD I am sorry, I wouldn't call it a tax, it certainly is a pass through.

REP. LLOYD Is that spelled out in the contract then, so they know it is not a tax?

SCOTT BOTHFELD Yes that is correct.

REP. WINRICH Asked him to expound on the "unbundling" and what it refers to.

SCOTT BOTHFELD We are seeing in states across the country in stadium taxes and fees imposed on rental cars, you are seeing minor league baseball taxes of two dollars a day, that is "unbundling". Instead of unbundling that, and putting it on the back end, that is a cost of being in business, we believe. From a consumer's perspective, it makes more sense to have that as our daily rate.

REP. WINRICH The problem is, that these are charges that the customer isn't expecting?

SCOTT BOTHFELD That is correct.

REP. WINRICH If I called your office for a quote to rent a car for the day, would the rate you quoted me include collision damage, waivers, supplemental liability protection, personal accident insurance, etc.,

SCOTT BOTHFELD Yes

REP. WINRICH So you unbundle charges too?

SCOTT BOTHFELD Those are optional charges, if a customer doesn't need them, then they wouldn't be charged. If they don't have collision coverage and don't own a car, and may want insurance, that is something we would offer them at that time.

REP. CARLSON Are you telling me that if it is thirty two dollars per day for a rental car, that there is eleven and a half percent that you have as a separate item that says city tax?

SCOTT BOTHFELD Yes, it says something to the effect of, airport rental fee.

REP. CARLSON Why don't you have that as part of your bill?

SCOTT BOTHFELD That is the way it was previously, where it was incorporated in the ren and we had to pay ten percent of whatever our gross revenue was, as rent, and the other folks in my industry thought to have it the other way around.

REP. HERBEL Asked whether there were any records showing how many cars are rented to in-state versus out-of-state people?

SCOTT BOTHFELD All I can go by is what the rental days are. We have two branches in Bismarck, one is a downtown location which focuses only on local people, and one at the airport. The airport location is one hundred percent out-of-state.

With no further testimony, the hearing was closed.

COMMITTEE ACTION, 3-14-01, TAPE #2, SIDE B, METER #1170

REP. CARLSON Gave an overview of the bill for committee members.

REP. RENNERFELDT Made a motion to amend the bill by removing Sec. 1 and Sec. 3 of the bill.

REP. CLARK Second the motion. **MOTION CARRIED BY VOICE VOTE.**

REP. LLOYD Made a motion to amend the bill on page 1, line 23, which was suggested by Jack McDonald.

REP. DROVDAL Second the motion. **MOTION CARRIED BY VOICE VOTE.**

REP. DROVDAL Made a motion to amend the bill on page 1, line 18 to delete "A rental" and insert "any"

REP. CLARK Second the motion. **MOTION FAILED**

REP. DROVDAL Made a motion to adopt part of page 1, line 20 Amendment #10130.0301 which related to large trucks being excluded.

REP. WINRICH Second the motion. **MOTION CARRIED BY VOICE VOTE.**

REP. WINRICH Made a motion for a **DO PASS AS AMENDED.**

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

12 YES 0 NO 3 ABSENT

REP. LLOYD Was given the floor assignment.

Date: 3-14-81
Roll Call Vote #: 1

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

House FINANCE & TAXATION Committee

Subcommittee on _____
or
 Conference Committee Sailed

Legislative Council Amendment Number _____

Action Taken Amendment # 3

Motion Made By Rep. Drovdal Seconded By Rep. Clark

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN		✓	NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL		✓	RENNERFELDT, EARL		✓
CLARK, BYRON	✓		SCHMIDT, ARLO	A	
GROSZ, MICHAEL		✓	WIKENHEISER, RAY		✓
HERBEL, GIL		✓	WINRICH, LONNY	✓	
KELSH, SCOT	A				
KROEBER, JOE		✓			
LLOYD, EDWARD		✓			

Total (Yes) 4 No 8

Absent 3

Floor Assignment _____

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

Date: 3-14-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2181

House FINANCE & TAXATION Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Rep. Winrich Seconded By Rep. Lloyd

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	✓		NICHOLAS, EUGENE	A	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	A	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	✓	
KELSH, SCOT	A				
KROEBER, JOE	✓				
LLOYD, EDWARD	✓				

Total (Yes) 12 No 0

Absent 3

Floor Assignment Rep. Lloyd

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

REPORT OF STANDING COMMITTEE

SB 2181, as reengrossed: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Reengrossed SB 2181 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "a new section to chapter 40-57.3 and"

Page 1, line 2, remove "authority of cities to impose"

Page 1, line 3, remove "motor vehicle rental taxes and a" and remove "to amend"

Page 1, remove line 4

Page 1, line 5, remove "limitations on the sales tax exemption for rentals of motor vehicles;"

Page 1, remove lines 8 through 15

Page 1, remove the underscore under lines 18 and 19

Page 1, line 20, remove the underscore under "surcharge on each rental contract at the time a vehicle" and insert immediately thereafter "of a gross vehicle weight of ten thousand pounds [4535.92 kilograms] or less" and remove the underscore under "is rented from the company in this state."

Page 1, remove the underscore under lines 21 and 22

Page 1, line 23, remove the underscore under "contract, excluding taxes" and insert immediately thereafter ", fuel collections, or other ancillary products sold to customers such as collision damage waiver, supplemental liability protection, personal accident insurance, and personal effects coverage" and remove the underscore under the period

Page 2, remove the underscore under lines 1 through 15

Page 2, remove lines 16 through 21

Renumber accordingly

2001 SENATE FINANCE AND TAXATION

CONFERENCE COMMITTEE

SB 2181

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2181

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 4/4/01

Tape Number	Side A	Side B	Meter #
I	x		0-28.7
4/6/01 - 1	x		0-2.3
Committee Clerk Signature <i>Dynelle M. King</i>			

Minutes:

Senator Stenehjem: Chairman, opened the meeting.

All members present: Senators Stenehjem, Warder, Kroeplin & Representatives Drovdal, Clark, Winrich.

Representative Drovdal: Explained the House amendment—took off Section 1 and Section 3.

Section 1 had to do with allowing the cities to charge 1% to go into the tourism promotional fund, and Section 3 was the 5% excise tax. We looked at them added up and that's really hammering a business that's serving our people. It was an unanimous vote to dropping it down to just the 3% tax.

Senator Stenehjem: Explained the Senate Amendment. The bill came in strictly as a 5% sales tax. We felt most of those car rentals were being rented by persons out of state. Most every state has a sales tax on car rentals. Then the rental car people came in and they didn't really like that,

they liked the 3% surcharge. And the more we heard about it, the more we liked it because we felt it was going to encourage rental car agencies to register vehicles in the state of ND.

Representative Drovdal: In the Senate, the testimony was that 80% of the rentals go to local residents. In the House, we came to the conclusion that it was closer to 50%. The agencies are paying a 10% rental to the airports, it is part of the fee to be located at the airport. In some states, I wonder if that isn't showing as a separate charge, people may confuse that with the sales tax. Consumers look at surcharges and taxes the same, as an additional charge. We did like Section 2. There wasn't quite as strong opposition on Section 3 as there was on Section 1.

Senator Wardner: Even though we are raising it considerably from what it is now, we felt we were still considerably under what other states are.

Representative Drovdal: Another concern was car dealerships that rent cars. Is that under this 3%? We came to the conclusion that it may not have been and we were going to change that word rental to just a company. We didn't get that change in there.

Senator Stenehjem: That's in Section 2 and the reason is because those companies probably aren't paying the excise tax anyway. That surcharge probably doesn't apply to them.

Representative Drovdal: It should apply to them and we may have to redefine that, if that was the intent.

Senator Wardner: We did talk about that. They basically said they have cars in and out of state. That's why Section 2 developed. It was the 5% sales tax that was there originally and we didn't really have a problem with that but we felt we needed to address that surcharge so that they would register in this state.

Senator Stenehjem: Once the surcharge idea came out to the rental companies, they didn't have a problem at that point with the 5% sales tax. I think we can take the word "rental" out and just

leave it as a company engaged in the business of renting motor vehicles. I would like to Section 3 put back in.

Senator Wardner: Did the rental companies come in and say much when the bill was heard in the House?

Representative Drovdal: They did come in and they did oppose it. They felt they were still being taxed considerably. They were objecting to Section 3, they felt it was a double tax on them.

Senator Wardner: We would like to see Section 3 left in there.

Representative Clark: I was more opposed to Section 1 than Section 3.

Representative Winrich: I could accept that as a compromise.

Representative Drovdal: In the House, we weren't adamantly against Section 3, we were concerned about putting that much tax on it at one time. Section 1 is a whole new matter, I think we are willing to accept an amendment to put Section 3 back on.

Senator Kroepelin: Section 3 would be an improvement. I see this as a fairness issue. We're paying when we go out of state, let's equalize it.

Senator Stenehjem: Representative Drovdal, are you also suggesting taking the word "rental" out of there?

Representative Drovdal: I am because it clarifies what the Senate thought they were passing through.

Senator Stenehjem: I don't have problem with that.

Senator Wardner: I don't either.

Committee agrees to take out the words "rental" before "company" in the bill.

Senator Stenehjem: When we put in Section 1, it limited them to a maximum of 1%, of which it has to go to a vote of the city commission, and the city can't put any other taxes on this. That would make it 9%, not 11%. That's why we put that in there.

Representative Droydal: In Section 3, if that's put back in, it doesn't say that the taxes under home rule do not apply?

Senator Stenehjem: That part of Section 3 is part of Section 1.

Senator Wardner: So that would be covered.

Committee agreed.

Senator Stenehjem: One other thing that we need to consider is limiting this to the rental of vehicles with a gross vehicle weight less than 10,000 lbs.

Representative Droydal: That is in the House amendments.

Committee concluded to leave Section 1 out, put Section 3 back in, and remove the word "rental" on pg. 1, line 18, pg. 2, lines 3, 8, 12 and 13, and leave the rest of the amendment as is.

Committee will wait for amendment to be drafted to act.

Senator Stenehjem: Closed the meeting.

Committee met again 4/6/01. Meter number 0-2.3. All members present.

Amendment numbered 10130.0303 discussed.

CONFERENCE COMMITTEE ACTION: 4/6/01

Motion made by Representative Winrich, Seconded by Representative Clark, for the House to recede from House amendments and the bill be further amended. Voice Vote taken. All in favor.

Motion made by Senator Wardner, Seconded by Representative Droydal, to adopt amendment and conference committee report. Roll call vote taken. All in favor.

Date: 4/4/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2181

Senate _____ Committee _____

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken House Recede 's, further amend (voice vote)

Motion Made By Winrich Seconded By Clark

Senators	Yes	No	Representatives	Yes	No
<u>Stenehjem</u>			<u>Lundal</u>		
<u>Wardner</u>			<u>Clark</u>		
<u>Kroepelin</u>			<u>Winrich</u>		

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

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

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2181

That the House recede from its amendments as printed on pages 852 and 853 of the Senate Journal and pages 928 and 929 of the House Journal and that Reengrossed Senate Bill No. 2181 be amended as follows:

Page 1, line 1, remove "a new section to chapter 40-57.3 and"

Page 1, line 2, remove "authority of cities to impose"

Page 1, line 3, remove "motor vehicle rental taxes and"

Page 1, remove lines 8 through 15

Page 1, line 18, remove "rental"

Page 1, line 20, after "vehicle" insert "of a gross vehicle weight of ten thousand pounds [4535.92 kilograms] or less"

Page 1, line 23, after "taxes" insert ", fuel collections, or other ancillary products sold to customers such as collision damage waiver, supplemental liability protection, personal accident insurance, and personal effects coverage"

Page 2, line 3, remove "rental"

Page 2, line 8, remove "rental"

Page 2, line 12, remove "rental"

Page 2, line 13, remove "rental"

Renumber accordingly

Date: 4/6/01
 Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2181

Senate _____ Committee _____

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number 10130.0303

Action Taken Move Amendment to Conference Committee report

Motion Made By Wardner Seconded By Sordal

Senators	Yes	No	Representatives	Yes	No
Stenehjem	✓		Sordal	✓	
Wardner	✓		Clark	✓	
Kropflin	✓		Winick	✓	

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sordal, Wardner

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

REPORT OF CONFERENCE COMMITTEE

SB 2181, as reengrossed: Your conference committee (Sens. Stenehjem, Wardner, Kroeplin and Reps. Drovdal, Clark, Winrich) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 853, adopt amendments as follows, and place SB 2181 on the Seventh order:

That the House recede from its amendments as printed on page 853 of the Senate Journal and pages 928 and 929 of the House Journal and that Reengrossed Senate Bill No. 2181 be amended as follows:

Page 1, line 1, remove "a new section to chapter 40-57.3 and"

Page 1, line 2, remove "authority of cities to impose"

Page 1, line 3, remove "motor vehicle rental taxes and" and remove "rental company"

Page 1, remove lines 8 through 15

Page 1, line 18, remove "rental"

Page 1, line 20, after "vehicle" insert "of a gross vehicle weight of ten thousand pounds [4535.92 kilograms] or less"

Page 1, line 23, after "taxes" insert ", fuel collections, or other ancillary products sold to customers such as collision damage waiver, supplemental liability protection, personal accident insurance, and personal effects coverage"

Page 2, line 3, remove "rental"

Page 2, line 8, remove "rental"

Page 2, line 12, remove "rental"

Page 2, line 13, remove the second "rental"

Re-number accordingly

Reengrossed SB 2181 was placed on the Seventh order of business on the calendar.

2001 TESTIMONY

SB 2181

SOUTH DAKOTA

Registration/Title Fees

Excise tax of 4% imposed on most motor vehicle transactions. This excise tax is based on purchase price: new vehicle price less trade in value if have any.
 Our Exemption is #19: vehicles rented for 28 days or less and not consecutively rented for more than one 28-day period.

Title Fee \$5.00

Registration Fees: under 2,000 lbs = \$31.00
 2,001 - 4000 lbs = \$43.00
 4,001 + = \$56.00

Sales and Use Tax Fees

State Tax = 4%
 City Tax = 1% - Rapid City
 MVLR Tax = 4.5%
 Tourism Tax = 1%

We are taxed on income, collision damage waiver sales, PAI, fuel collected and SLP.

NEBRASKA

Registration/Title Fees

Title Fee \$10.00

Registration Fees

Motor vehicle tax under \$9,999 \$60
 \$78,000+ \$1,460
 90% 2nd year
 80% 3rd year

Motor Vehicle Fee based on new value
 Under \$20,000 \$5.00
 \$20,000 - \$39,000 \$20.00
 \$40,000+ \$30.00

Sales and Use Tax Fees

State Tax = 5%
 City Tax = 1% - 1.5%
 Excise Tax = 4.5%*** This is applied towards Tax and License Fees

We are taxed on income.

MINNESOTA

Registration/Title Fees

Title Fee \$2.00

State Patrol Fee \$3.50

Deputy Filing Fee \$3.50

Plate Fee \$3.00

Registration Tax 1.25% of base value (MSRP + Delivery Fee)

Sales Tax 6.5%, but we are exempt in Minnesota

Sales and Use Tax Fees

State = 6.5%

Motor Vehicle Rental Tax = 9.2%** 3% is applied back to tax and license fees.

We are taxed on income, collision damage waiver sales, PAI and SLP.



NORTH DAKOTA SENATE

Senator John T. Traynor
District 15
P.O. Box 836
Bismarck, ND 58301-0838

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360

COMMITTEES:
Judiciary, Chairman
Natural Resources

TESTIMONY OF SENATOR JACK TRAYNOR SENATE BILL NUMBER 2181

TO THE MEMBERS OF THE SENATE FINANCE AND TAXATION COMMITTEE:
SENATE BILL NUMBER 2181 WOULD APPLY THE NORTH DAKOTA SALES TAX OF FIVE PERCENT TO THE RENTAL OF ANY MOTOR VEHICLE FOR A PERIOD LESS THAN THIRTY DAYS. IT WAS BROUGHT TO MY ATTENTION THAT OUR NEIGHBORING STATES IMPOSE THEIR SALES TAX UPON THESE RENTAL CONTRACTS. SOUTH DAKOTA IMPOSES A SALES TAX OF 4.5% AND RENTALS FOR THE CALENDAR YEAR 1999 TOTALLED NEARLY A MILLION DOLLARS. WYOMING HAS AN EIGHT PERCENT SALES TAX AND REPORTED RECEIPTS IN 1999 OF NEARLY FOUR MILLION DOLLARS.

I RENTED A CAR IN FLORIDA LAST WINTER AND PAID A SALES TAX OF SIX PERCENT PLUS A FLORIDA LICENSE FEE OF FORTY CENTS PER DAY, AS WELL AS OTHER CHARGES WHICH APPEARED TO BE TAXES SO THAT THE TOTAL AMOUNT WAS NEARLY TEN PERCENT.

PASSAGE OF THIS BILL WOULD FACILITATE THE CITIES INTERESTED IN APPLYING A MUNICIPAL SALES TAX TO CAR RENTALS AT AIRPORTS. THERE ARE CO-SPONSORS FROM EACH OF THE MAJOR CITIES SUPPORTING THE BILL.

I BELIEVE THAT THE PERSONS WHO RENT CARS IN NORTH DAKOTA ARE, FOR THE MOST PART, NONRESIDENTS. I HAVE REQUESTED THAT A GENTLEMAN ENGAGED IN THE TRAVEL BUSINESS PRESENT FURTHER TESTIMONY TO THE COMMITTEE.

I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS.



100 West Main Ave.
Bismarck, ND 58501
701-255-5000

January 23, 2001

**SENATE FINANCE AND TAX COMMITTEE
SB 2181**

CHAIRMAN URLACHER AND COMMITTEE MEMBERS:

My name is Scott Bothfeld and I oversee a Regional Office, based here in Bismarck, for Enterprise Rent a Car of the Dakotas / Nebraska. We oppose SB 2181. We believe this proposed bill will allow our operation to be taxed twice.

I understand our responsibility to the community regarding taxes, but we already pay a first time licensing fee which ranges from \$59 - \$112, a 5% sales tax when buying vehicles, and annual registration fees of \$59 - \$112. With an average vehicle cost of \$16,000, our expense per unit can exceed \$1000 annually.

Typically, rental car taxes are introduced with the intension of charging individuals visiting our state for the use of our roads.

Our company, however, focuses on providing replacement vehicles when one's car is in for service or body repair work. Often, these rentals are paid for by the dealerships or the insurance companies. We also have agreements with many North Dakota businesses to provide vehicles for their travel needs

So, in reality, this tax will increase monies due from local individuals, dealerships, body shops, and insurance companies.

Overall, other states charge either a vehicle licensing tax or a revenue sales tax, but not both. I feel a double tax will be unfair, and will not only hurt our business, but will also have a negative impact on our local customers.

We respectfully request that you stop this bill from proceeding. THANK YOU FOR YOUR TIME AND CONSIDERATION, and I am happy to answer your questions.

MARCH 14, 2001

HOUSE FINANCE & TAXATION COMMITTEE
SB 2181

CHAIRMAN CARLSON AND COMMITTEE MEMBERS:

My name is Jack McDonald. I am appearing today on behalf of Enterprise Rent-A-Car of the Dakotas. We oppose SB 2181 for the reasons mentioned at the hearing Tuesday, March 13, 2001.

However, in fairness, should you still wish to pass some version of this bill, despite the overwhelming logic of the arguments against it, then we request that you consider the following amendments to make sure that all companies that rent cars are subject to this tax, not just the rental car companies. And, we ask that the tax be imposed only on the basic rental fee, and not the additional or optional items that may, or may not, be chosen by the customer.

The amendments below carry this out. We respectfully request your adoption of these amendments. If you have any questions, I'll try to be around answer them.
THANK YOU FOR YOUR TIME AND CONSIDERATION.

PROPOSED AMENDMENTS TO REENGROSSED SB 2181

On page 1, line 18, delete "A rental" and insert "Any "

On page 1, line 23, after "taxes" insert ", fuel collections or other ancillary products sold to customers such as collision damage waiver, supplemental liability protection, personal accident insurance and personal effects coverage"

Renumber accordingly



1010 S. 12th St.
Bismarck, ND 58504-6628
701-255-5000

March 13, 2001

**HOUSE FINANCE AND TAXATION COMMITTEE
SB 2181**

CHAIRMAN CARLSON AND COMMITTEE MEMBERS

My name is Scott Bothfeld and I appear on behalf of the seventy-five North Dakotans employed by Enterprise Rent a Car. We oppose SB,2181 because the bill is a direct tax on local individuals and business owners; and because it establishes a poor foundation for customer service.

At Enterprise, we focus on providing replacement vehicles to local individuals whose cars are in for service or repair work. Often, these rentals are paid for by the dealerships or the insurance companies. We also have agreements with many North Dakota businesses to provide vehicles for their travel needs.

Based on our market and our volume as likely the largest rental company in North Dakota, we feel this bill will be a direct tax on the people of this State.

Our position regarding out of town renters is at odds with several of our industry members. We are motivated by what we believe is in the best interest of our consumers, whether they be local residents or visitors to North Dakota.

Pass through taxes are confusing and serve only to hide fees the customer must pay. We believe, just like in other industries, that charges should be bundled in the base rental rate and considered a basic cost of doing business. From experience, we also know that once the doors are open to add these types of taxes, other "add ons" are sure to follow.

This proposed tax combined with the cost to fly to North Dakota, are in essence, "anti-tourism."

If this bill were to pass, we respectfully request the following changes:

1. Section 2., Line 18 delete "A rental" and insert "Any". This will keep the playing field level for companies that have rental vehicles to compliment their primary business.
2. Section 2., Line 23 after "taxes" insert "fuel collections, or other ancillary products sold such as Collision Damage Waiver, Supplemental Liability Protection, Personal Accident Insurance, and Personal Effects Coverage.

We respectfully request that you stop this bill from proceeding. THANK YOU FOR YOUR TIME AND CONSIDERATION.