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In Costa Rickford
Operator's Signature

10/3/03
Date

1

2003 HOUSE FINANCE AND TAXATION

HB 1300

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1300

House Finance and Taxation Committee

Conference Committee

Hearing Date January 22, 2003

Tape Number	Side A	Side B	Meter #
1	X		14.2
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

REP. MARK DOSCH, DIST. 32, BISMARCK Introduced the bill. See attached written testimony.

REP. BELTER Asked, if you buy cigarettes over the internet, in reality, the only way you would get caught for the tax, unless you voluntarily paid, is if someone caught you, and said you owe the tax?

REP. DOSCH That is correct.

REP. KLEIN How do you plan to enforce this?

REP. DOSCH The enforcement of this, is no different then what state law is now, and that is what it says. Gave an example of buying a suit over the internet, if you don't pay tax on it, you are supposed to submit the tax receipt to the state. Whether you do that or not, is up to the individual. The problem of the way the loop hole is now, is even if the state tax department,

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House Finance and Taxation Committee

Bill/Resolution Number HB 1300

Hearing Date January 22, 2003

would go out and audit one of these tobacco suppliers, and find they sold one million dollars of tobacco products in the state of North Dakota, they could say they sold three hundred cartons of cigarettes to Mr. Klein, in checking with him, he could say he bought one carton of cigarettes every day, which the state allows without paying tax on it. By removing this loop hole, that would no longer be a valid excuse. If you purchase a carton of cigarettes, you pay a tax on it.

REP. DROVDAL Stated, under current law, we do not have a business tax stamp, if that is the case, if we see someone with five cartons of cigarettes in his car, how do we know where he bought those cartons, do we have a way to identify those?

REP. DOSCH No, we do not, we stopped using the tax stamp sometime ago. However, as long as this loop hole is in, that can never be enforced. By removing this, they would have to have a receipt showing they paid the tax.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-27-03, Tape #1, Side B, Meter #37.5

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

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

Several committee members felt this bill would be too encumbersom to enforce.

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House Finance and Taxation Committee
Bill/Resolution Number HB 1300
Hearing Date January 22, 2003

REP. KLEIN Made a motion for a **DO NOT PASS**

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

9 YES 4 NO 0 ABSENT

REP. KELSH Was given the floor assignment.

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10/3/03
Date

FISCAL NOTE
 Requested by Legislative Council
 01/14/2003

Bill/Resolution No.: HB 1300

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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.

The fiscal impact of HB 1300 is unknown. The portion of the untaxed cigarettes that become taxable under the provisions of the bill may result in a positive fiscal impact, but it is uncertain the magnitude.

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.

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 Dept.
Phone Number:	328-3402	Date Prepared:	01/21/2003

Ka Costa Rickford
 Operator's Signature

10/2/03
 Date

Date: 1-27-03
 Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1300

House FINANCE & TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____ *failed*

Action Taken D P

Motion Made By Rep Clark Seconded By Rep. Grosz

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR		✓			
CLARK	✓				
FROELICH		✓			
GROSZ	✓				
HEADLAND	✓				
IVERSON		✓			
KELSH		✓			
KLEIN		✓			
NICHOLAS		A			
SCHMIDT		✓			
WEILER		✓			
WIKENHEISER		✓			
WINRICH		✓			

Total (Yes) 4 No 9

Absent 1

Floor Assignment Rep.

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

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La Costa Rickford 10/3/03
 Operator's Signature Date

Date: 1-27-03
Roll Call Vote # 2

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1300

House FINANCE & TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep. Klein Seconded By Rep. Schmidt

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN		✓			
DROVDAL, VICE-CHAIR	✓				
CLARK		✓			
FROELICH	✓				
GROSZ		✓			
HEADLAND		✓			
IVERSON	✓				
KELSH	✓				
KLEIN	✓				
NICHOLAS	A				
SCHMIDT	✓				
WEILER	✓				
WIKENHEISER	✓				
WINRICH	✓				

Total (Yes) 9 No 4

Absent 1

Floor Assignment Rep. Kelsh

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

In Costa Rickford 10/3/03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
January 27, 2003 12:23 p.m.

Module No: HR-15-1108
Carrier: S. Kelsh
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HB 1300: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1300 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-15-1108

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La Costa Rickford
Operator's Signature

10/3/03
Date

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2003 TESTIMONY

HB 1300

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Lu Costa Rickford 10/3/03
Operator's Signature Date

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HB 1300
Finance and Taxation
January 22, 2002

Chairman Belter, members of the Finance and Taxation committee, for the record, my name is Mark Dosch Representative of District 32 South Bismarck.

I come before you to introduce HB 1300 and ask for your support.

The purpose of this bill is to simply remove a loop hole in the law that currently exists. This loop hole allows a person to possess up to a carton of cigarettes with out having to pay tax on that carton.

An example of how this loop hole can be used is as follows. You could purchase a carton of cigarettes each week if you wanted from an Internet source, or from a reservation. State laws requires you to pay tax on anything purchased on the Internet that is not taxed. However since you are allowed a carton exemption under current law, you could in reality never be in possession of more then one carton at a time and thus never have to pay any tax.

Removing this loop hole would simply require you to pay tax on the purchase like any other item.

Sub section 8 and 9 of the bill, simply state that if you purchased these cigarettes in a state that has a lower tax rate then ND, say 5 cent per pack, you would be granted credit for the 5 cents you would have paid per pack, but would require you to then pay the difference to ND.

Mr. Chairman and members of the Finance and Taxation committee, I ask for you support in removing this loop hole and treat the purchase of cigarettes like any other purchase. This concludes my testimony, I would be happy to answer any questions you may have.