

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1411

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Lo Costa Rickford
Operator's Signature

10/16/03
Date

2003 HOUSE POLITICAL SUBDIVISIONS

HB 1411

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Salvatore Riccardi
Operator's Signature

10/6/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1411

House Political Subdivisions Committee

☐ Conference Committee

Hearing Date: January 31, 2003

Tape Number	Side A	Side B	Meter #
1		X	25.7-52.4
2	X		0.0-12.4
Committee Clerk Signature <i>Mikki Schmidt</i> 2-18-03			

Minutes:

TAPE 1; SIDE B:

(25.7) REP. GLEN FROSETH: We will open the hearing on HB 1411.

(25.7) REP. GEORGE KEISER: (Testimony in support) (See attachment #1-amendment)

Explains the amendment. It is a hog house amendment to this Bill. The Bill originally allowed the cities to collect and deposit in the city's general fund a 1 percent sales tax if they want to, for rental cars that were rented for less than thirty days. the State Tax Dept. looked at the Bill they said that this will require us to redo every state tax form that we report to community with and the fiscal note would have been astronomical. However, the alternative way to do that is to create the new section and put it in with the visitor's promotion fund section and incorporate it in that. That would require no change in all of the forms and the policies and procedures that the State Tax Dept. uses and as a result we are offering a Hog house amendment. I believe economic development occurs at the local level. The state can do certain things to facilitate that. This past

Page 2
House Political Subdivisions Committee
Bill/Resolution Number HB 1411
Hearing Date: January 31, 2003

year for the first time, Tourism has become the second largest industry in our state, and it is the industry in our state that is really growing. Talked about the groups coming into Bismarck like the Women Bowlers. This Bill is to help Tourism to help tell our statehood. This will create jobs, revenue and help our state grow and prosper.

(33.0) REP. GLEN FROSETH: The home rule charter cities can charge tax if they have rentals longer than thirty days?

(33.2) REP. GEORGE KEISER: Yes, they can charge which go into promotion funds on rooms and food, but not on rental cars. Last session we had a Bill that enacted the rental car industry, because if you were to drive out to the Bismarck Airport, you would have seen about 100 rental cars out there with 65 to 70 with Idaho license plates on them. The reason was that Idaho has a certain tax condition that you can register and pay taxes in Idaho, so they would buy their cars here, license them in Idaho to defer the tax. It doesn't help support the community or the state. This is an attempt to develop the monies that help go out and sell the state of North Dakota and have those who are benefiting participate in that. The one downside is getting in a wreck.

(35.3) REP. MARY EKSTROM: Was there any consideration of going to a higher rate and have we looked at the states around us to see what they are doing and what kind of revenues they have generate from this?

(35.8) REP. GEORGE KEISER: ???

(36.4) REP. GLEN FROSETH: We have a fiscal note here that says that's on the original bill but HB 1411 is expected to increase city sales tax by an estimated by \$365,000 for the biennium.

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House Political Subdivisions Committee

Bill/Resolution Number HB 1411

Hearing Date: January 31, 2003

(37.5) TERRY HARIZINSKI; EXECUTIVE DIRECTOR OF THE CONVENTION

VISITORS BUREAU IN BISMARCK/MANDAN: (testimony in support) (See attachment #2)

(41.5) DAN HOUSE; OWNER/OPERATOR OF AVIS RENT A CAR FRANCHISE:

(Testimony in support) I support this because Tourism is important, revenue from out of state people, and looking at the total of taxes and rental fees on contracts. Right now we have an 11.5 percent airport fee, 5 percent state tax and 3 percent for ND surcharge.

(51.7) BILL WOOKEN; CITY ADMINISTRATOR OF BISMARCK: (Testimony in support) The board of City Administrators do support this. The hog house amendment won't change any of the items supporting the state. We believe this promotion is critical for our success in ND. (52.7)

TAPE 2; SIDE A

(0.0) BILL WOOKEN: Continued testimony in support.

(0.8) CONNIE SPRYNCZYNATYK; LEAGUE OF CITIES: (Testimony in support)

(1.4) REP. GLEN FROSETH: On the original Bill, line 9, the overstricken language, apparently home rule cities were allowed to charge the sales taxes before. Is that what this says?

(1.5) CONNIE SPRYNCZYNATYK: No.

(3.1) REP. GLEN FROSETH: Now this is enabling the legislation. If this ere to be put in place by a city, they would specify who would be charged?

(3.4) CONNIE SPRYNCZYNATYK: It indicates rental of any motor vehicles less than thirty days.

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House Political Subdivisions Committee

Bill/Resolution Number HB 1411

Hearing Date: January 31, 2003

(4.5) GARY ANDERSON; DIRECTOR OF SALES AND TAX OF STATE TAX

COMMISSION: (Testimony in support)

(6.6) JACK McDONALD; ON BEHALF OF INTERPRISE CAR COMPANY:

(Testimony in opposition) Our statistics show that only fifty percent of the business's locally, so you're actually adding a tax to the local people in the state. We have a nineteen and a half percent on our taxes right now. Maybe consider and distinguishing between airport rentals and city rentals. Most do operate out of the airports.

(10.2) REP. GLEN FROSETH: Any more in opposition? Hearing none, I will close the hearing on HB 1411.

Before we recess, our intern said she could handle this amendment that was offered for 1337.

The only thing we can adopt it to 1338 by just changing the top two lines. That's the refund of Kelly's and interest to the owner on a abated property tax. We need to pass this amendment by the State Tax Dept.

(11.2) REP. ANDREW MARAGOS: I WOULD MOVE THE AMENDMENT

(11.4) REP. NANCY JOHNSON: I SECOND IT.

(11.5) REP. GLEN FROSETH: This amendment has the number- 30558.0100 Any discussion on the amendment? If not, I will take a voice vote on the amendment. 14-y; 0-n
We have the amended Bill before us.

(12.1) REP. RON IVERSON: I MOVE A DO PASS AS AMENDED.

(12.1) REP. NANCY JOHNSON: I SECOND IT.

(12.3) REP. GLEN FROSETH: I will have the clerk call the Roll Call Vote: 13-y; 1-n; 0
absent; Carrier: Rep. Iverson.

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1411

House Political Subdivisions Committee

☐ Conference Committee

Hearing Date: January 31, 2003

Tape Number	Side A	Side B	Meter #
2	X		18.0-25.3
Committee Clerk Signature <i>Mickie Schmidt</i> 2-18-03			

Minutes:

TAPE 2: SIDE A:

(17.5) REP. GLEN FROSETH: We will open the hearing on HB 1411. Committee discussion on HB 1411.

(17.8) REP. RON IVERSON: I like this, the only thing wrong is it's too low.

(18.6) REP. NANCY JOHNSON: The sponsor of this Bill said they wouldn't go over one percent.

(18.7) REP. MIKE GROSZ: I think one percent is way too high, we're not taxing the out of staters, we're taxing ourselves.

(19.0) REP. MARY EKSTROM: We're taxing us right now to get others to spend (out of staters.) We're not finding money anywhere else. I too would love to see an increase. We need that money.

Page 2

House Political Subdivisions Committee

Bill/Resolution Number HB 1411

Hearing Date: January 31, 2003

(19.6) REP. ANDREW MARAGOS: I think you made an excellent point. The other states that we go to don't hesitate for one moment. I don't think we should be ashamed one bit. I will support this Bill.

(20.0) REP. GIL HERBEL: I agree with them.

(20.5) REP. WILLIAM KRETSCHMAR: The Bill may go further than the sponsors intent. In the proposed amendment, the new language, " the rental of any motor vehicle". I couldn't find a definition of motor vehicle and the definition is very broad. It pertains to anything that has an engine that runs on wheels except a snowmobile. There are tractors rented out in the rural farm community. **(21.9)** Under Title 39, a motor vehicle is includes every vehicle that is self propelled.

(23.7) REP. GLEN FROSETH: There is a stipulation for renting farm equipment, they have to use it for so many hours. We'll hold this until next week. **(24.9)**

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1411

House Political Subdivisions Committee

☐ Conference Committee

Hearing Date: February 6, 2003

Tape Number	Side A	Side B	Meter #
3	X		0.0-5.1
Committee Clerk Signature <i>Mickie Schmidt</i> 22003			

Minutes:

TAPE 3; SIDE A:

(0.1) CHAIRMAN GLEN FROSETH: We will open the hearing on HB1411. (Handed out amendment; attachment #1) The amendment was read and discussed.

(0.6) REP. ANDREW MARAGOS: I WOULD MOVE THE AMENDMENTS.

(0.6) REP. DALE SEVERSON: I SECOND IT.

(0.7) CHAIRMAN GLEN FROSETH: Discussion on the amendment. We'll take a voice vote on the amendments. All in favor say I, 14-y; 0-n. The amendment carries.

(2.3) REP. DALE SEVERSON: I MOVE A DO PASS AS AMENDED.

(2.3) REP. MARY EKSTROM: I SECOND IT.

(2.4) CHAIRMAN GLEN FROSETH: Any further discussion? Rep. Grosz was in opposition. I will have the clerk take the Roll Call Vote: 13-y; 1-n; 0-absent; Carrier; Rep. Iverson. (5.1)

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La Costa Rickford
Operator's Signature

10/6/03
Date

LR

FISCAL NOTE
Requested by Legislative Council
02/11/2003

Amendment to: HB 1411

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.*

Engrossed HB 1411 enables cities to impose, by city ordinance, a one-percent sales tax on automobile rentals. Revenue generated by this tax is to be deposited in the city visitors' promotion fund.

We are unable to determine the fiscal effect of Engrossed HB 1411, since actions by city governments are required before the tax is imposed.

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:	02/12/2003

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Salvatore Riccio
Operator's Signature

10/16/03
Date

FISCAL NOTE
Requested by Legislative Council
01/21/2003

Bill/Resolution No.: HB 1411

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
				\$365,000				

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

If enacted, HB 1411 is expected to increase city sales taxes by an estimated \$365,000 for the 2003-05 biennium.

Note: The Tax Dept. has some administrative concerns with separating city sales tax collections into a portion that can be dedicated to visitor promotion.

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:	01/30/2003

Jo Costa Richardson
Operator's Signature

10/16/03
Date

38343.0101
Title.0200

Adopted by the Political Subdivisions
Committee

February 6, 2003

VR
2/7/03

HOUSE

AMENDMENTS TO HOUSE BILL NO. 1411 Pol Sub 2-6-03

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 40-47.3-01.2 of the North Dakota Century Code, relating to the imposition of a city motor vehicle rental tax; and to amend and reenact section 40-47.3-02 of the North Dakota Century Code, relating to the establishment of the city visitors' promotion fund.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 40-57.3-01.2 of the North Dakota Century Code is created and enacted as follows:

40-57.3-01.2. City motor vehicle rental tax - Imposition - Amount - Disposition - Definitions. 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 of a retailer on the rental of any motor vehicle for fewer than thirty days. The tax imposed under this section is in addition to state sales taxes on the rental of motor vehicles for fewer than thirty days. Any city that imposes the tax under this section shall deposit all proceeds in the city visitors' promotion fund. For purposes of this section, "motor vehicle" means a motorized passenger vehicle designed to be operated on highways and "retailer" means a company for which the primary business is the renting of motor vehicles for periods of fewer than thirty days.

SECTION 2. AMENDMENT. Section 40-57.3-02 of the North Dakota Century Code is amended and reenacted as follows:

40-57.3-02. City visitors' promotion fund - City visitors' promotion capital construction fund - Visitors' committee - Establishment - Purpose. The governing body of any city which imposes a city tax pursuant to section 40-57.3-01 or 40-57.3-01.1, or 40-57.3-01.2 shall, as appropriate, establish a city visitors' promotion fund, a city visitors' promotion capital construction fund, and a visitors' committee. The visitors' committee shall serve as an advisory committee to the city governing body in administering the proceeds from the taxes available to the city under this chapter. The moneys in the visitors' promotion fund must be used generally to promote, encourage, and attract visitors to come to the city and use the travel and tourism facilities within the city. The moneys in the visitors' promotion capital construction fund must be used generally for tourism or the purchase, equipping, improving, construction, maintenance, repair, and acquisition of buildings or property consistent with visitor attraction or promotion. The committee shall consist of five members appointed by the governing body of the city. These appointees shall serve without compensation, except for reimbursement for necessary expenses. Committee members shall serve for a term of four years, except that two of those initially appointed must be appointed for an initial term of two years. Vacancies must be filled in the same manner as the initial appointment. The committee shall elect a chairperson and vice chairperson from among its members to serve for a term of two years."

Renumber accordingly

Page No. 1

38343.0101

Richard Costa
Operator's Signature

10/6/03
Date

3:00 pm

Date: 2-6-03

Roll Call Vote #: |

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1411

House "POLITICAL SUBDIVISION" Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38343.0101 0200

Action Taken Do Pass As Amended

Motion Made By Rep. Severson Seconded By Rep. Ekstrom

Representatives	Yes	No	Representatives	Yes	No
Chairman Glen Froseth	✓				
Vice-Chairman Nancy Johnson	✓				
Mike Grosz		✓			
Gil Herbel	✓				
Ron Iverson	✓				
William E. Kretschmar	✓				
Andrew Maragos	✓				
Dale Severson	✓				
Alon Wieland	✓				
Bruce Eckre	✓				
Mary Ekstrom	✓				
Carol A. Niemeier	✓				
Sally M. Sandvig	✓				
Vonnie Pietsch	✓				

Total (Yes) 13 No 1

Absent 0

Floor Assignment Rep Iverson

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

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Yolanda Rickford
Operator's Signature

10/16/03
Date

REPORT OF STANDING COMMITTEE (410)
February 10, 2003 8:29 a.m.

Module No: HR-25-2067
Carrier: Iverson
Insert LC: 38343.0101 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1411: Political Subdivisions Committee (Rep. Froseth, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1411 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 40-47.3-01.2 of the North Dakota Century Code, relating to the imposition of a city motor vehicle rental tax; and to amend and reenact section 40-47.3-02 of the North Dakota Century Code, relating to the establishment of the city visitors' promotion fund.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 40-57.3-01.2 of the North Dakota Century Code is created and enacted as follows:

40-57.3-01.2. City motor vehicle rental tax - Imposition - Amount - Disposition - Definitions. 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 of a retailer on the rental of any motor vehicle for fewer than thirty days. The tax imposed under this section is in addition to state sales taxes on the rental of motor vehicles for fewer than thirty days. Any city that imposes the tax under this section shall deposit all proceeds in the city visitors' promotion fund. For purposes of this section, "motor vehicle" means a motorized passenger vehicle designed to be operated on highways and "retailer" means a company for which the primary business is the renting of motor vehicles for periods of fewer than thirty days.

SECTION 2. AMENDMENT. Section 40-57.3-02 of the North Dakota Century Code is amended and reenacted as follows:

40-57.3-02. City visitors' promotion fund - City visitors' promotion capital construction fund - Visitors' committee - Establishment - Purpose. The governing body of any city which imposes a city tax pursuant to section 40-57.3-01 ~~or~~, 40-57.3-01.1, or 40-57.3-01.2 shall, as appropriate, establish a city visitors' promotion fund, a city visitors' promotion capital construction fund, and a visitors' committee. The visitors' committee shall serve as an advisory committee to the city governing body in administering the proceeds from the taxes available to the city under this chapter. The moneys in the visitors' promotion fund must be used generally to promote, encourage, and attract visitors to come to the city and use the travel and tourism facilities within the city. The moneys in the visitors' promotion capital construction fund must be used generally for tourism or the purchase, equipping, improving, construction, maintenance, repair, and acquisition of buildings or property consistent with visitor attraction or promotion. The committee shall consist of five members appointed by the governing body of the city. These appointees shall serve without compensation, except for reimbursement for necessary expenses. Committee members shall serve for a term of four years, except that two of those initially appointed must be appointed for an initial term of two years. Vacancies must be filled in the same manner as the initial appointment. The committee shall elect a chairperson and vice chairperson from among its members to serve for a term of two years."

Renumber accordingly

2003 SENATE POLITICAL SUBDIVISIONS

HB 1411

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Al Costa Richard
Operator's Signature

10/6/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **HB 1411**

Senate Political Subdivisions Committee

☐ Conference Committee

Hearing Date: **February 27, 2003**

Tape Number	Side A	Side B	Meter #
1	X		3835 - end
		X	0 - 600
Committee Clerk Signature <i>Shirley Borg</i>			

Minutes:

CHAIRMAN COOK called the committee to order. All senators (6) present.

CHAIRMAN COOK opened the hearing on HB 1411 relating to the imposition of a city motor vehicle rental tax; and to amend and reenact section 40-47.3-02 of the North Dakota Century Code, relating to the establishment of the city visitors' promotion fund.

Testimony in favor of HB 1411

Connie Sprynczynatyk League of Cities, The League of Cities asked for the introduction of HB 1411 in order to give the city the opportunity to do what the state took upon its self last legislative session. There was a bill to apply state sales tax to vehicle rentals. The engrossed bill is a little different than it was introduced and the League of Cities support it.

Terry Harzinski, Executive Director of the Bismarck-Mandan Convention and Visitors Bureau appeared in favor of HB1411. (see attached testimony)

Page 2

Senate Political Subdivisions Committee

Bill/Resolution Number HB 1411

Hearing Date February 27, 2003

Bill Wocken, City Administrator, City of Bismarck, testified in favor of HB 1411. (See attached testimony)

Cole Carley, Executive Director, Fargo-Moorhead Convention & Visitors Bureau, appeared in support of HB 1411. (See attached testimony)

Dan Haus, Owner, Operator of Avis Rental Car in Bismarck, appeared in support of HB 1411.

He provided information on what is currently going on and what has changed. Over the last ten years we have gone from zero percent on a contract to today in Bismarck nineteen and one half percent. If you look across the country fees range from 18 to 34%. They support tourism in the state and don't feel the one percent will have any effect on the number of people renting cars.

Testimony Opposed to HB 1411:

Jack McDonald, appeared on behalf of Enterprise Rent-a-Car Company of the Dakotas/Nebraska, in opposition of HB 1411. (See attached testimony)

Brain Church, Loss Control Manager, representing Enterprise Rent-a-Car opposed HB 1411. (See attached testimony)

Tyler Johnson, Corporate Account Manager, Enterprise Rent-a-Car, appeared in opposition of HB 1411. The way this house bill is set up would increase the cost of travel for local business as well as for potential business and we feel this is not the way to do this. If we increase the cost of doing business for local people as well as potential people looking to come in, we may actually scare people from coming into the state of North Dakota.

Dean Richter, State Farm Insurance, appeared in opposition to SB 1411. He agreed that Mr. McDonald's amendment would be a good idea.

CHAIRMAN COOK closed the hearing on HB 1411.

Page 3

Senate Political Subdivisions Committee

Bill/Resolution Number HB 1411

Hearing Date February 27, 2003

Discussion on HB 1411:

CHAIRMAN COOK asked what the committee's feelings were on the amendment Mr.

McDonald presented

SENATOR JUDY LEE said she thinks that it was a little self-serving, not crazy about the amendments. She is more concerned about the fact that the house amendments deleted dealerships that might be renting and it is not their primary source of business.

SENATOR SYVERSON says a lot of individuals rent from off-site rental agencies as the rent is usually cheaper. He does not support the amendment.

Further Discussion Tape 1, Side B, Meter # 1684 - 2208.

CHAIRMAN COOK told the committee to think about the bill and will bring the bill up later.

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John Costa Richardson
Operator's Signature

10/16/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1411

Senate Political Subdivisions Committee

☐ Conference Committee

Hearing Date March 13, 2003

Tape Number	Side A	Side B	Meter #
1		X	4415 - 4760
2	X		0 - 240
Committee Clerk Signature <i>Shirley Borg</i>			

Minutes:

CHAIRMAN COOK called the committee to order. All members were in attendance.

CHAIRMAN COOK asked what the committee wishes to do with this bill.

SENATOR POLOVITZ didn't realize that there were that many vehicles subject to this. The insurance company covers the rental of a car if his car is smashed up and he is wondering what this would do to his insurance rates. He is all in favor for the tourism part but uneasy about what this bill does in the big picture.

SENATOR COOK answered that State Farm Insurance testified against this bill for that reason.

SENATOR JUDY LEE does not see this as being burdensome. It would not be that much of an increase.

Further discussion Tape 1, Side B Meter # 5225 - 6012

SENATOR POLOVITZ made a motion for a DO PASS

SENATOR JUDY LEE seconded that motion.

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La Costa Richardson
Operator's Signature

10/16/03
Date

Page 2

Senate Political Subdivisions Committee

Bill/Resolution Number HB 1411

Hearing Date March 13, 2003

Roll call vote: Yes 3 No 3 Absent 0

Motion failed

Closed discussion.

SENATOR COOK asked the committee to recess until after the afternoon session.

SENATOR COOK called the committee back to order. All members present.

SENATOR COOK asked what the committees wishes were. He asked if anyone was interested in looking at the purposed amendments.

SENATOR JUDY LEE said she was not nuts about the amendments. That was just a silly way to get one car dealer outside the loop and she feels they all should be in or out.

SENATOR GARY LEE made a motion for a DO NOT PASS.

SENATOR CHRISTENSON seconded the motion.

Roll call vote: Yes 3 No 3 Absent 0

Motion failed.

SENATOR JUDY moved to send this bill with out committee recommendation.

SENATOR SYVERSON seconded that motion.

Roll call vote: Yes 4 No 2 Absent 0

Carrier: **SENATOR JUDY LEE**

Date: March 13, 2003
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1411

Senate Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Senator Polovitz Seconded By Senator Judy Lee

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman		✓			
Senator John O. Syverson, V C	✓				
Senator Gary A. Lee		✓			
Senator Judy Lee	✓				
Senator Linda Christenson		✓			
Senator Michael Polovitz	✓				

Total (Yes) 3 No 3

Absent 0

Floor Assignment _____

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

Motion failed due to a 3-3 vote tie

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Yolanda Richardson
Operator's Signature

10/6/03
Date

Date: 3/13/03
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1411

Senate Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 1511

Action Taken Do Not Pass

Motion Made By _____ Seconded By _____

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman	✓				
Senator John O. Syverson, V C		✓			
Senator Gary A. Lee	✓				
Senator Judy Lee		✓			
Senator Linda Christenson	✓				
Senator Michael Polovitz		✓			

Total (Yes) 3 No 3

Absent 0

Floor Assignment _____

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

Motion failed due to a 3-3 vote tie

La Costa Richard
Operator's Signature

10/16/03
Date

Date: 3/13/03
Roll Call Vote #: 3

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1411

Senate Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 1177

Action Taken Send to floor with no recommendation

Motion Made By _____ Seconded By _____

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman		✓			
Senator John O. Syverson, V C	✓				
Senator Gary A. Lee		✓			
Senator Judy Lee	✓				
Senator Linda Christenson	✓				
Senator Michael Polovitz	✓				

Total (Yes) 4 No 2

Absent _____

Floor Assignment Judy Lee

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

REPORT OF STANDING COMMITTEE (410)
March 14, 2003 2:25 p.m.

Module No: SR-46-4840
Carrier: J. Lee
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HB 1411, as engrossed: Political Subdivisions Committee (Sen. Cook, Chairman)
recommends **BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION**
(4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1411 was placed
on the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-46-4840

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Jo Costa Rickford
Operator's Signature

10/6/03
Date

2003 TESTIMONY

HB 1411

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Yolanda Richardson
Operator's Signature

10/6/03
Date

#1- 1-31-03
38343.0100
Title.

Prepared by the Office of State Tax
Commissioner for Representative Kelsner
January 30, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1411

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 40-57.3-01.2 of the North Dakota Century Code, relating to the imposition of a city motor vehicle rental tax; and to amend and reenact section 40-57.3-02 of the North Dakota Century Code, relating to the establishment of the city visitors' promotion fund.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 40-57.3-01.2 of the North Dakota Century Code is created and enacted as follows:

40-57.3-01.2. City motor vehicle rental tax - Imposition - Amount - Disposition.
The governing body of any city may, by ordinance, impose a city tax, at a rate not to exceed one percent, upon the gross receipts of retailers on the rental of any motor vehicle for less than thirty days. The tax imposed under this section is in addition to state sales taxes on the rental of motor vehicles for less than thirty days and any city which imposes the tax under this section shall deposit all proceeds in the city visitors' promotion fund.

SECTION 2. AMENDMENT. Section 40-57.3-02 of the North Dakota Century Code is amended and reenacted as follows:

40-57.3-02. City visitors' promotion fund - City visitors' promotion capital construction fund - Visitors' committee - Establishment - Purpose. The governing body of any city which imposes a city tax pursuant to section 40-57.3-01, ~~or~~ 40-57.3-01.1, ~~or~~ 40-57.3-01.2 shall, as appropriate, establish a city visitors' promotion fund, a city visitors' promotion capital construction fund, and a visitors' committee. The visitors' committee shall serve as an advisory committee to the city governing body in administering the proceeds from the taxes available to the city under this chapter. The moneys in the visitors' promotion fund must be used generally to promote, encourage, and attract visitors to come to the city and use the travel and tourism facilities within the city. The moneys in the visitors' promotion capital construction fund must be used generally for tourism or the purchase, equipping, improving, construction, maintenance, repair, and acquisition of buildings or property consistent with visitor attraction or promotion. The committee shall consist of five members appointed by the governing body of the city. These appointees shall serve without compensation, except for reimbursement for necessary expenses. Committee members shall serve for a term of four years, except that two of those initially appointed must be appointed for an initial term of two years. Vacancies must be filled in the same manner as the initial appointment. The committee shall elect a chairperson and vice chairperson from among its members to serve for a term of two years.

Renumber accordingly

Page No. 1

38343.0100

Colosta Richardson
Operator's Signature

10/16/03
Date

Handwritten mark resembling a stylized 'R' or 'P' in the top right corner.

#1 2-6-03

Prepared for: House Political Subdivisions Committee
Prepared by: North Dakota League of Cities
Date: February 6, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1411

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact section 40-47.3-01.2 of the North Dakota Century Code, relating to the imposition of a city motor vehicle rental tax; and to amend and reenact section 40-47.3-02 of the North Dakota Century Code, relating to the establishment of the city visitor's promotion fund.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 40-57.3-01.2 of the North Dakota Century Code is created and enacted as follows:

40-57.3-01.2. City motor vehicle rental tax – Imposition – Amount –
Disposition - Definitions. The governing body of any city may, by ordinance, impose a city tax, at a rate not to exceed one percent, upon the gross receipts of retailers on the rental of any motor vehicle for less than thirty days. The tax imposed under this section is in addition to state sales taxes on the rental of motor vehicles for less than thirty days and any city which imposes the tax under this section shall deposit all proceeds in the city visitors' promotion fund. For purposes of this section, "motor vehicle" means a motorized passenger vehicle designed to be operated on highways and "retailers" means companies whose primary business is the renting of motor vehicles for periods of fewer than thirty days.

SECTION 2. AMENDMENT. Section 40-57.3-02 of the North Dakota Century Code is amended and reenacted as follows:

40-47.3-02. City visitors' promotion fund – City visitors' promotion capital construction fund – Visitors' committee – Establishment – Purpose. The governing body of any city which imposes a city tax pursuant to section 40-57.3-01, ~~or~~ 40-57.3-01.1, or 40-57.3-01.2 shall, as appropriate, establish a city visitors' promotion fund, a city visitors' promotion capital construction fund, and a visitors' committee. The visitors' committee shall serve as an advisory committee to the city governing body in administering the proceeds from the taxes available to the city under this chapter. The moneys in the visitors' promotion fund must be used generally to promote, encourage, and attract visitors to come to the city and use the travel and tourism facilities within the city. The moneys in the visitors' promotion capital construction fund must be used generally for tourism or the purchase, equipping, improving, construction, maintenance, repair, and acquisition of buildings or property consistent with visitor attraction or promotion. The committee shall consist of five members appointed by the governing body of the city. These appointees shall serve without compensation, except for reimbursement for necessary expenses. Committee members shall serve for a term of four years, except that two of those initially appointed must be appointed for an initial term of two years. Vacancies must be filled in the same manner as the initial appointment. The committee shall elect a chairperson and a vice chairperson from among its members to serve for a term of two years."

Renumber accordingly

Richard Costa 10/6/03
Operator's Signature Date

HOUSE BILL 1411

**Testimony
Of
Terry Harzinski**

Mr. Chairman and members of the Committee, my name is Terry Harzinski. I am Executive Director of the Bismarck-Mandan Convention and Visitors Bureau. I am appearing on behalf of the CVB in favor of HB 1411.

Tourism is a significant contributor to our local economy. Overnight visitors to Bismarck-Mandan spend approximately \$130 million dollars annually. What has helped our industry grow over the years to become a valuable economic contributor is the importance that our industry stakeholders place on tourism. Hotels, restaurants, car rental companies, attractions, the city, the parks and recreation districts, the Chamber of Commerce and others all work together to support and grow our local tourism industry.

As you can imagine, each year it gets more costly to advertise and to compete in the marketplace. In addition to advertising, there often times are bidding fees, shuttle transportation costs, facility fees, and etc. that a community or host committee has to pay.

We are asking for your support of HB 1411 to enable cities to place a one percent surcharge on vehicle rentals of 30 days or less so that this money can be used for tourism promotion. We feel this is an equitable way to raise some additional funds for local tourism promotion and still keep extra charges on our car rental agencies in the lower bracket nationally. These funds would go into the city visitor promotion fund for the purpose of promoting that city's tourism product.

HOUSE BILL 1411
Senate Political Subdivisions Committee
February 27, 2003
Testimony of Bill Wocken in support

Good Morning Mr. Chairman and committee members. My name is Bill Wocken. I am City Administrator for the City of Bismarck and I am testifying in favor of House Bill 1411 this morning on the city's behalf.

House Bill 1411 proposes a simple concept that allows the city to impose up to a 1% tax on motor vehicle rentals of less than 30 days at the city's option. All proceeds would be used for tourism promotion.

This bill would enhance the funds available to local government for tourism promotion activities. It would be allowed as a local option tax that would be paid primarily by visitors renting cars in our communities. The bill comes at the onset of what we hope will be substantially increased tourism activity in our state due to the Lewis and Clark Bicentennial and the two signature events to be hosted by North Dakota locations. At a time when increased promotion of the unique nature and circumstance of our state will produce increased tourism dollars, this bill helps to provide some of the needed funds to pay for these promotional activities.

The City of Bismarck endorses this bill and asks for a Do Pass recommendation.

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Salvatore Riccio
Operator's Signature

10/10/03
Date

1012 Carley
11/13/11

By the time this session is finished, you will have heard much about the value of tourism to the economy of North Dakota and its cities. About 20 years ago, when the legislature passed the local-option lodging tax bill, most people assumed that the only beneficiaries of tourism's efforts were the hotels. Of course, we now know that the economic benefits of tourism spread throughout the community, touching many different segments of local economies.

Today, we're asking you to consider and approve a bill that is a close cousin to the lodging tax law. It's a new piece of enabling legislation that allows local city governments to decide whether or not to levy a 1% user tax on car rentals to be dedicated to tourism marketing.

The wording of the bill is adapted directly from the existing lodging tax law.

This bill is a good idea for a couple of reasons:

(1) It is enabling legislation that doesn't ask the legislature to create a new tax on North Dakotans, but rather to allow the cities to decide the issue.

(2) If any cities do choose to create this user fee, it is something that will be largely paid for by out-of-state visitors, just as the lodging tax is, since most of the car rentals take place at airports.

(3) It is a user tax that would only be paid for by people who rent cars.

(4) Car rental surcharges such as this one are commonplace in other parts of the United States, as you probably know from your own travel experiences.

(5) Our "add-ons," that is charges levied in addition to car rental rates would still be one of the lowest in the nation.

(6) The money that is raised through the use of this surcharge will be directed toward getting more people visiting the cities of North Dakota. It will create more money for advertising to out-of-state prospects, both in the convention market and the pleasure travel market. That, of course, will mean more money in local economies and more state sales taxes that you can devote to helping other segments of our state.

Some might question if this will be an opportunity whose benefits would be limited to the four largest cities in North Dakota since the bulk of the car rentals would take place at airport locations. While that is where biggest share of the money would be generated, most of the marketing in which those cities engage is out-of-state marketing, supplementing efforts by the state tourism department and is used for familiarization trips, sales calls on meeting planners, large travel trade shows, and the like. It would not be spent in competition with smaller cities to divert visitors. And those larger cities act as a conduit for transmitting visitors to other parts of the state.

Richard
Operator's Signature

10/16/03
Date

HB 1411: Why It's a Good Idea for North Dakota

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 of a retailer on the rental of any motor vehicle for fewer than thirty days.*

Any city that imposes the tax under this section shall deposit all proceeds in the city visitors' promotion fund.

This bill is a good idea for the following reasons:

(1) It is **enabling legislation** that doesn't ask the legislature to create a new tax on North Dakotans, but rather to allow the cities to decide the issue.

(2) If any cities do choose to create this user fee, it is something that will be largely **paid for by out-of-state visitors**, just as the lodging tax is, since most of the car rentals take place at airports.

(3) It is a **user tax** that would only be paid for by people who rent cars.

(4) Car rental surcharges such as this one are **commonplace** in other parts of the United States, as you probably know from your own travel experiences.

(5) Our "add-ons," that is charges levied in addition to car rental rates would still be **one of the lowest in the nation**.

(6) The money that is raised through the use of this surcharge will be directed toward getting **more people visiting the communities of North Dakota**. It will create more money for advertising to out-of-state prospects, both in the convention market and the pleasure travel market. That, of course, will mean more money in local economies and more state sales taxes that you can devote to helping other segments of our state.

Submitted by: Cole Carley
Executive Director
Fargo-Moorhead Convention & Visitors Bureau

Salvatore Riccardi
Operator's Signature

10/16/03
Date

Thursday, February 27, 2003

SENATE POLITICAL SUBDIVISIONS COMMITTEE
HB 1411

SENATOR COOK AND COMMITTEE MEMBERS:

My name is Jack McDonald. I am appearing today on behalf of Enterprise Rent-a-Car Company of the Dakotas/Nebraska. We oppose HB 1411 in its present form and ask that you either give it a do not pass, or in the alternative, adopt our amendments below.

The only business in North Dakota that had its taxes increased by the 2001 Legislature was the car rental business that had the 8% sales tax imposed that you heard described earlier. Since that time, the industry has had its fees, or taxes, increased at all of the state's major airports. Now, this bill wants to impose yet another tax just on this industry. We don't think that's fair for a number of reasons.

First, this bill exempts car rentals by auto dealerships and other businesses who are actually, to some extent, our competitors. That's a discriminatory practice that perhaps could be challenged in court.

Secondly, you are actually increasing the sales tax to North Dakota citizens, and not just to out-of-state visitors. Enterprise estimates that approximately 50% of its business comes from rentals by local businesses and by persons renting autos while their cars are being repaired. Many local businesses are renting cars for in-state and nearby out-of-state travel to save money and to avoid the post 911 airport hassles.

Thirdly, what logic is there to attempt to attract out-of-state visitors by making the taxes on car rentals as high and annoying as they are in other states? The reasoning of, "We pay these charges when we travel, so we should make them pay to come here" isn't really sound taxation policy. Just a week ago, the Senate voted to phase out corporate taxes to attract new business. Now, you want to increase taxes on out-of-state visitors to do what? Attract more out-of-state visitors! This doesn't make sense.

As an alternative, we would suggest you at least spare North Dakota citizens this tax increase by limiting this tax to car rentals from airport locations. Our amendment below would accomplish this.

If you have any questions, I'd be glad to try and answer them. Thank you for your time and consideration.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL 1411

On page 1, line 15, after the word "company" insert "located at a North Dakota airport"
Renumber accordingly

Jack McDonald
Operator's Signature

10/16/03
Date

Date: 27 February 2003

Re: HB ~~141~~ should not be passed

1411

Testimony presented by Brian Church, Loss Control Manager representing Enterprise Rent-a-Car Company of the Dakotas/Nebraska.

Senator Cook and committee members, we oppose HB ~~141~~. Please consider the following reasons North Dakota HB ~~141~~ should not be passed:

1411

1. Local North Dakota residents will pay this tax, not just visitors. Forty to fifty percent of all car rentals in North Dakota are to North Dakota residents.
2. The insurance industry will suffer. The insurance replacement car market is the largest aspect of our business. Many insurance companies have already decided to leave North Dakota due to heavy losses. Adding an additional rental tax will be an increased hardship for other struggling insurance companies who are still deciding whether it makes financial sense to stay in our state.
3. Local businesses will suffer. Since 9/11, local businesses are choosing to rent cars in lieu of purchasing airline tickets. This tax will add to their burden. We need new businesses to move to our state and this extra tax gives them one more reason to stay away from North Dakota.
4. An 8% rental tax increase was imposed 2 years ago. A \$3.00 to \$4.00 airport transaction fee has been proposed and is being considered. HB ~~141~~ is yet another tax increase – when will it stop? Targeting the local rental car industry yet another time is not reasonable.
5. Many of our renters need our cars because their cars have broken down or they were in accidents. They are not renting cars for recreational use. It is an unwanted additional expense due to an unfortunate circumstance. Taxing these North Dakotans adds to their misfortune.

Please join us in opposing increased taxes for North Dakota residents and businesses by voting no against HB ~~141~~.

1411

La Costa Rickford
Operator's Signature

10/16/03
Date