

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1454

2005 HOUSE POLITICAL SUBDIVISIONS

HB 1454

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1454

House Political Subdivisions Committee

☐ Conference Committee

Hearing Date January 27, 2005

Tape Number	Side A	Side B	Meter #
1		x	18.1 to end
2	x		0.4 to 18.1
Committee Clerk Signature <i>Samuel Fink</i>			

Minutes **Rep. Devlin, Chairman** opened the hearing on HB 1454, A Bill 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 city visitors' promotion fund.

**Rep. Keiser** representing District 47 and sponsor of this bill spoke of his experiences in almost every corner of the country. That experience was that nearly every city or airport authority charged a very hefty tax on car rentals. The theory seems to be that it is 'outsiders' who pay the tax; it is the business man thus the businesses that pay the tax -- not the 'locals' to any extent unless they travel to another destination. This bill would levy a very modest 1% as compared to up to 16 -18 % elsewhere. The tax would be imposed on any motor vehicle rental which was for less than 30 days duration. The theory being that those who need rent a vehicle for that length of time perhaps has vehicle repair problems, work needs, or perhaps military residence and other plausible reasons that out of the ordinary travel rental. Rep. Keiser acknowledged this or a very

similar bill has been before the legislature several time meeting no success. The revenues would be directed to the visitor's promotion fund of the city. In Bismarck it would bring in about \$40,000 per year. There was a long question and answer period where in legislators inquired whether there could be 'retaliatory' taxes impose by neighboring destinations; how reciprocity arrangements might be worked out; would local car rental agencies tend to move outside corporate city limits to avoid the tax and thus cause a loss of other taxes they would pay when located in town; and numerous examples of others experiences.

**Connie Spryncznatyk ( 33.2 )** Executive Director of the North Dakota League of Cities spoke and answered questions . She spoke in favor of the bill. Her first point was that she welcomed the opportunity to address a 'wrong' in state law. Several legislative session back, the cities put in a bill to tax rentals instead the state chose to impose a state sales tax on motor vehicle rentals and expressly prohibited city sales taxes from being collected at the same time. There is currently a state sales tax being applied what is not being applied due to the prohibition in state is the city sales tax. She would remove the prohibition and allow city tax.

**Terri Thiel**, executive Director of the Dickinson Convention and Visitors' Bureau spoke in favor of the bill. A copy of her statement is attached.

**Cole Carley** , representing the Fargo-Moorhead Convention & Visitors Bureau spoke in favor of the bill. A copy of her written statement is attached.

**Bill Shalhoob** representing the ND Hospitality Association appeared in support of the bill.

**During Mr. Shalhoob's presentation the tape side came to an end. Mr. Shalhoob's presentation continues on side B ( 1.0 )**

A copy of Mr. Shalhoob's wrtiten remarks is attached.

Page 3  
House Political Subdivisions Committee  
Bill/Resolution Number HB 1454  
Hearing Date January 27, 2005

**Shannon Gangl**, Chairman of the Board of Directors for the Bismarck- Mandan Convention and visitors Bureau spoke in favor of the bill. A copy of his written comments is attached.

**Dana Bohn**, Executive of the North Dakota Tourism Alliance Partnership spoke in favor of the bill. A copy of his written remarks is attached.

**Jack McDonald** representing the Enterprise Rent-A-Car Company appeared in opposition to the bill. A copy of his written remarks is attached.

There being no further testimony for or against HB 1454 **Rep.Devlin, Chairman** closed the hearing, ( 17.9 ) .

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1454 b

House Political Subdivisions Committee

☐ Conference Committee

Hearing Date February 3, 2005

Tape Number	Side A	Side B	Meter #
1		x	15.3 to 20.7
Committee Clerk Signature <i>Lauren Zirk</i>			

Minutes: **Rep. Devlin, Chairman** in work session opened the discussion for committee action on HB 1454.

**Rep. Maragos ( 18.1 )** moved a 'Do Pass' motion for HB 1454. **Rep. Zaiser** seconded the motion. On a roll call vote the motion carried 6 ayes 2 nays 4 nays . **Rep. Maragos** was designated to carry HB 1454 on the floor. **End of record ( 20.7 )**

Date: February 3, 2003  
Roll Call Vote:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1454

House POLITICAL SUBDIVISIONS

Committee

☐ Check here for Conference Committee

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

Action Taken

Do Pass

Motion Made By

Rep. Maragos

Seconded By

Rep. Zaiser

Representatives	Yes	No	Representatives	Yes	No
Rep. Devlin, Chairman		✓	Rep. Ekstrom	A	
Rep. Herbel, Vice Chairman	✓		Rep. Kaldor		✓
Rep. Dietrich	A		Rep. Zaiser	✓	
Rep. Johnson	✓				
Rep. Koppelman	A				
Rep. Kretschmar	✓				
Rep. Maragos	✓				
Rep. Pietsch	✓				
Rep. Wrangham	A				

Total (Yes)

6

No

2

Absent

4

Floor Assignment

Rep. Maragos

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

**REPORT OF STANDING COMMITTEE (410)**  
February 3, 2005 12:21 p.m.

**Module No: HR-23-1766**  
**Carrier: Maragos**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1454: Political Subdivisions Committee (Rep. Devlin, Chairman) recommends DO PASS (6 YEAS, 2 NAYS, 4 ABSENT AND NOT VOTING). HB 1454 was placed on the Eleventh order on the calendar.**

2005 SENATE POLITICAL SUBDIVISIONS

HB 1454

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1454

Senate Political Subdivisions Committee

☐ Conference Committee

Hearing Date March 4, 2005

Tape Number	Side A	Side B	Meter #
1	X		4896 - End
1		X	0- 2889
Committee Clerk Signature <i>Shirley Borg</i>			

Minutes:

**Chairman Cook** opened the hearing on HB 1454 relating to the imposition of a city motor vehicle rental tax and relating to the city visitors' promotion fund. All committee members (6) present.

**Bill Shalhoob**, ND Hospitality Association, introduced HB 1454. (See attachment #1)

**Senator Hacker:** You mentioned in rural communities where the auto dealers are renting cars while a car is being repaired. Is that protected in this bill?

**Bill Shalhoob:** It is not, however, we would not anticipate in those rural communities that the local option would be enacted. If the local community enacted this there would be no exemptions for ND residence or non residents.

**Senator Dever:** Why is this the only item prohibited from city sales tax. Would that be because the five percent falls under vehicle excise tax or something.

**Bill Shalhoob:** It does not. The five percent is a straight sales tax, the three percent is a highway surcharge put on in 2001 which had to do with funding. For some reason, the legislature, when they did the permissive things allowing cities to put on taxes specifically exempted automobile rentals. It is the only item not subject to a one percent city sales tax.

**Terry Harzinski** Executive Director, Bismarck/Mandan Convention and Visitors Bureau, testified in support of HB1454. (See attachment 2 A)

Terry Passed out testimony from Dickinson Convention and Visitors Bureau (See attachment #2B)

**Senator Dever:** Does the money from the lodging tax that we passed last time stay in the state or does it flow out?

**Terry Harzinski:** The one percent tax that was passed last session is spent outside the state of ND. The tourism department does some advertising in the eastern part of the state, in Fargo and Grand Forks because that does spill over into Minnesota. The purpose of the one percent was to market out of state tourism.

**Bill Wocken,** City Administrator, City of Bismarck, ND testified in support of HB 1454. The city is very interested in this tax. There are a couple of things that are important to note. As Mr Shalhoob pointed out to you this is not mandatory upon a city, it is elective, so the city may impose the tax. It is a local option. Secondly it does not go into the cities general fund, it is focus toward the tourism aspect and I think that is an appropriate use of the fund. Note from the bottom of page 1, lines 22 through 24 and the top of page 2 lines 1 and 2 , the visitors committee is an advisory committee that is appointed by the board of city commissioners and the visitors committee has input into the use of the funds that go into the visitors promotion fund, so we are

very interested to see the return on the investment from the proceeds that are put into that fund.

This will enhance the ability of that fund to attract tourism.

**Senator Fairfield:** If this was just a removal of the restriction on rental car agencies, so that the cities could determine how that money was spent, what would the city think about that?

**Bill Wocken:** I am not sure what the city's position would be as I have not ask them. I do no they have supported tourism promotion pretty heavily. In the Lewis and Clark years we have found additional money to put into tourism promotion. My guess is that if it is generated from this source they would like to keep it in that area. We have been pretty impressed with the return on investments from the visitor promotion dollars they have allocated.

**Senator Dever:** I am wondering if the city commission allocates any other kinds of funds to the Convention and Visitors Bureau.

**Bill Wocken:** The city does allocate a portion of the hotel tax to the CVB. I believe it is ninety percent. I sit on the CVB Board and am the liaison for the city commissioners so I do report back to them on activities. The city has a five year contract with the CVB as to how those funds are managed. We do pass through a portion of the one percent hotel tax.

**Cole Carley,** Executive Director of the Fargo-Moorhead CVB, and also representing ND Tourism Alliance Partnership, testified in support of HB 1454. Mr Carley passed out testimony from Dana Bohn, Executive Director of The ND Tourism Alliance Partnership (See attachment #3A) who was not able to be here. ( See attachment # 3B - Cole Carley's testimony)

**Senator Fairfield:** I understand that the car rentals tax in the enabling legislation of twenty five years ago is silent, it just doesn't allow.

**Cole Carley:** What I was referring to was that in their foresight because of the close relationship between the hotels and restaurants business in the tourism industry the legislature allowed not only lodging tax but restaurant tax.

**Senator Fairfield:** I was under impression that that section of the code prohibited car rentals and from what I am hearing it just is silent of the issue.

**Cole Carley:** The cities are prohibited from levying a sales tax of any kind on car rental. This is a different piece of legislation that would go out and do this if they choose.

**Senator Gary Lee:** Are local jurisdictions differing around the state, do they have different taxes and different methods of securing revenue for their CVB's or is it the same state wide?

**Cole Carley:** The law sets a maximum right now of what a city can charge for lodging tax. The maximum of three percent for lodging tax and a one percent for food and beverage if a city wishes to charge those things. The cities have the choice of whether or not to give a portion or all of that money to the CVB or use it for other tourism efforts.

Testimony Opposed.

**Rich Denicourt,** Enterprise Rent-A-Car, testified against HB 1454. (See attachment #4)

**Courtney Koebele,** Attorney on behalf of Rent-A-Car, appeared against HB 1454. (See attachment # 5)

**Chairman Cook:** Is it constitutional to have a different tax bases on where you live?

**Courtney Koebele:** We limited things to nonresident and resident all the time. Of course there are challenges going on. I feel it is not fair to limit car rental companies.

**Chairman Cook:** Asked Myles Vosberg; does streamline sales tax requires city sales tax base to be the same as the state, does that exclude car rentals?

**Myles Vosberg**, State Tax Commissioners Office. This won't have any impact on streamline because it starts out motor vehicle related taxes. No problem there.

**Dean Richter**, Lobbyist with State Farm Insurance, appeared in opposition of HB 1454. I just found out about this bill yesterday and I know that we have had this for the last two sessions regarding the one percent sales tax. I am not going to tell you that this is going to increase your insurance. The insurance companies are not in business to make money but if we have to actually absorb this cost it is going to go to our consumers. I do like the idea of the amendment as far as just putting it toward the airport. We do ninety percent of our business with Enterprise Rent-A-Car and they are an off site location. We also use the body shop rentals.

**Senator Hacker**: You insure beyond the state of ND don't you? What is the effect in what you are seeing in insurance premiums in other state verses the state that might have thirteen per cent, such as indicated. Are you charging higher premiums in Minnesota.

**Dean Richter**: Yes we do insure beyond ND. We charge the correct premium were we are doing business.

**Kent Olson**, Director of the ND Professional Insurance Agents Association, appeared against HB1454. Most of our bills involve insurance and agents. You might ask why an agent is testifying on a tax bill and I am up here to express that. The issue that we have is that most of the car rentals involve our agents and insurance accident are taxing the residence. We are taxing people of ND every time there is an accident in a car rental. Secondly as an association we are a nonprofit organization and when I bring my speakers in we pay the fee for their car rental even if they have an out of state drivers license. Were ever there is an insurance accident that involves a car rental the tax is going to apply to North Dakota.

Page 6

Senate Political Subdivisions Committee

Bill/Resolution Number HB 1454

Hearing Date March 4, 2005

No further testimony for or against this bill.

Chairman Cook closed the hearing on HB 1454.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1454

Senate Political Subdivisions Committee

☐ Conference Committee

Hearing Date March 10, 2005 (Discussion)

Tape Number	Side A	Side B	Meter #
2	X		1166 - 3851
Committee Clerk Signature <i>Shirley Borg</i>			

Minutes:

**Chairman Cook** called the committee to order. All member (6) present.

**Chairman Cook** ask Representative Keiser to give his testimony being he wasn't able to be present on the hearing date.

**Representative Kaiser**, District 47, Prime Sponsor on HB 1454 shared with the committee his perspective. The reason for this bill is it is a good tax. There is such a thing as a good tax. It is one that someone else pays. I have had the opportunity to visit a good friend in one of the suburbs in Arizona. It turns out that the suburb that he lives in has the most millionaires per capita and as I am driving around the neighborhood , I can not believe the house he lives in. I ask him what the property tax was and he said about five hundred fifty dollars per year and this includes garbage, fire and police coverage and he doesn't pay anything else. I ask him how this could possibly be and he said don't forget we have a seven per cent sales tax and you all pay it. Every day about ten thousand people fly into Phoenix, Arizona and to Tucson. The car rental tax

is thirty per cent. This is the same in Florida and other states. This is one approach to help those people who want to visit our state help us in our tourism effort by enabling cities if they chose to charge the one per cent sales tax. Not to many people rent a car in our state but many people rent cars from other states when they fly in. I looked at a lot of different approaches and we are trying to find a simple strategy. I think we are being taking advantages of in every other state. We are paying a hefty price if Enterprise is paying the thirty percent in Phoenix for every time they have a rental. I encourage you to let us enable cities to be a player.

**Chairman Cook:** You have given me such a convincing argument for this bill, I am wondering why it is only one percent? Lets amend it up to five percent.

**Rep Keiser:** I would have no problem with a higher percent but I had trouble getting it through the house at one percent. I think we need to eat an elephant one bite at a time. I think it would give the local communities, if they want to do it, a chance to try it and see if it works and if it doesn't they don't have to keep it. I think we should do anything we can do to stimulate any segment of our economy and I think tourism is important.

**Senator Dever:** Are airports considered to be within the city limits?

**Rep. Keiser:** Yes they are. It is called flag pole zoning.

**Chairman Cook:** Committee, regarding HB 1454; we can do it now or we can talk about it tomorrow but I would like to identify any amendments anyone would like to put on this bill.

**Chairman Cook** adjourned the committee.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1454

Senate Political Subdivisions Committee

☐ Conference Committee

Hearing Date March 24, 2005

Tape Number	Side A	Side B	Meter #
1		X	5743 - End
2	X		0 - 235
Committee Clerk Signature <i>Shirley Borg</i>			

Minutes:

**Chairman Cook** opened the discussion and action on HB 1454 . All committee members (6) present.

**Senator Hacker:** I had some amendments drawn up. What the amendments do is level the playing field. I feel we should not favor one industry over the next. We spoke about unintended consequences during our committee meeting and this should address that in essence that the insurance companies have a contract with a motor vehicle rental company.

**Senator Hacker** moved the amendments to HB 1454.

**Senator Dever** seconded the motion.

Discussion:

Roll call vote: Yes 6 No 0 Absent 0 Amendment Passed

**Chairman Cook:** We have before us HB 1454 as amended.

**Senator Dever** moved a Do Not Pass As Amended.

Page 2

Senate Political Subdivisions Committee

Bill/Resolution Number HB 1454

Hearing Date March 24, 2005

**Senator Fairfield** seconded the motion

Discussion

Roll call vote: 5 Yes 1 No 0 Absent

Carrier; **Senator Dever**

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1454

Page 1, line 14, remove "and "retailer" means a company for which the primary business is the renting of motor"

Page 1, line 15, remove "vehicles for periods of fewer than thirty days"

Renumber accordingly

Date: 3-24-05  
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB1454

Senate Political Subdivisions Committee

☐ Check here for Conference Committee

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

Action Taken Moved the Amendments 101.01

Motion Made By Senator Hacker Seconded By Senator Dever

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman	X				
Senator Nicholas P. Hacker, VC	X				
Senator Dick Dever	X				
Senator Gary A. Lee	X				
Senator April Fairfield	X				
Senator Constance Triplett	X				

Total Yes 6 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

Amendments passed

Date: 3-24-05  
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1454

Senate Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 50713.0101. Title .0200

Action Taken Do Not Pass as Amended

Motion Made By Senator Dever Seconded By Senator Fairfield

Senators	Yes	No	Senators	Yes	No
Senator Dwight Cook, Chairman	X				
Senator Nicholas P. Hacker, VC		X			
Senator Dick Dever	X				
Senator Gary A. Lee	X				
Senator April Fairfield	X				
Senator Constance Triplett	X				

Total Yes 5 No 1

Absent 0

Floor Assignment Senator Dever

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

REPORT OF STANDING COMMITTEE (410)  
March 24, 2005 4:59 p.m.

Module No: SR-54-6119  
Carrier: Dever  
Insert LC: 50713.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

**HB 1454: Political Subdivisions Committee (Sen. Cook, Chairman) recommends AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1454 was placed on the Sixth order on the calendar.

Page 1, line 14, remove "and "retailer" means a company for which the primary business is the renting of motor"

Page 1, line 15, remove "vehicles for periods of fewer than thirty days"

Renumber accordingly

2005 HOUSE POLITICAL SUBDIVISIONS

CONFERENCE COMMITTEE

HB 1454

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1454 conf.

House Political Subdivisions Committee

☒ Conference Committee

Hearing Date April 7, 2005

Tape Number	Side A	Side B	Meter #
1	x		50.7 to end
1		x	3.4 to 11.9
Committee Clerk Signature <i>Laurie B. Zide</i>			

Minutes: Conference Committee for HB 1454 Chaired by Rep. Maragos.

Conferees:

Sen. Cook

Rep. Maragos

Sen. Lee

Rep. Pietsch

Sen. Fairfield

Rep. Kaldor

All members were present.

**Rep. Maragos** open the conference with the Senate amendments would remove the exemptions for small towns -- we feel there are few small towns that would benefit from this; and this we feel, broadens the scope of the bill too much by including the small town automobile dealerships. Our goal was to try to help the cities visitors and convention bureaus to promote

their communities. The proceeds would go into that fund. We hope that you would -- to help make the bill better -- remove the one amendment because we feel it is an undue burden on the small towns dealers.

The committee referred to the engrossed bill to review the Senate amendments.

End of tape -- side A

**Side b -- tape 1** start at ( 3.3 )

**Chairman Maragos --** - continued --

To include motorized passenger vehicle and -- it would have to be used on the highway -- that expanded it to all the vehicles that would be included -- in levying this tax -- so we thought it wasn't necessary and broaden it to way beyond what we thought was appropriate -- beyond what we wanted it for -- we would really like to see it restored. Restored to those companies whose primary business is just renting motor vehicles.

**Sen. Cook --** when we passed these amendments I don't think we had any discussion nor was it the intent to expand it to cities -- we wanted to level the playing field as who was going to have to --we looked at it as a tax that was imposed on just one segment of those who rent vehicles. So rather than eliminate some --we wanted it to apply to all who rent vehicles. Let me ask some questions as to your rationale to certain cities -- the tax imposed under this section is to be deposited into the city's visitors promotion fund -- does every city have -- does every city have a visitors promotion fund?

**Chairman Maragos --** probably not --

**Sen . Cook --** is that a characteristic of a home rule city? Can any city have a visitors promotion fund?

**Chairman Maragos** -- we will ask Bill Shalhoob who is in the room --

**Bill Shalhoob** -- lobbyist for the North Dakota Hospitality Association -- Any city that has a CVB ( Convention and Visitors Bureau ) and is using that CVB tax -- the 2% room tax -- has city visitors promotion fund because that is where that tax has to go. I honestly don't know how many cities are doing that -- certainly all the major cities -- most of the cities down to the size of Devils Lake -- I really don't know how small a population it goes down to -- but any city that imposes 2% can use this for marketing.

**Chairman Maragos** -- so assume all most any city could use this -- is that correct that any city can levy the room tax -

**Bill Shalhoob** -- yes you don't have to be a home rule city to do that -- there was enabling legislation allowing the 2% room tax passed in 1979. So it can be done without a home rule charter or a home rule vote.-- simply by the vote of a city commission --

**Sen. Cook** -- I assume then that the city that has the 2% has hotel/motel tax would then be able to have this one -- and if a city did not have the 2% hotel/motel probably could not.

**Bill Shalhoob** -- Yes but theoretically they could set up visitors committee - set up a city visitors fund and go that route.

**Sen. Cook** -- the concern that you raised -- that we spread this tax to all the cities --

**Chairman Maragos** -- What we effected there were the entities in the business of renting cars and we were looking -- what we hope to do by using the company who does his primary business of renting cars -- if they are close to airports in the larger cities -- and we all know if we travel -- my experience -- one I can cite the tax was about 35% of the bill.

**Sen. Lee** -- I have voted on this twice and voted against it both times - - you are telling us you don't like paying these types of taxes but you don't mind somebody else paying them.

**Chairman Maragos** -- I did or didn't say whether I liked paying the taxes but it is down all over the country to promote -- I don't see any hypocrisy in using the same vehicle --

**Rep. Kaldor** - ( 8.3 ) When we discussed this in our committee ( in the House ) we were talking about this in reference to a city like Bismarck -- where you have auto dealers -- if you also have rental car companies --then you have auto dealers who from time to time rent out a vehicle from their dealership but it is not their primary business -- it is usually done for an over night or couple of days while a car is being repaired -- that is one of the groups we were trying to pull out of this - that's not their business -- their business to maintain cars and repair cars and rental is incidental to their business -- as I recall when Rep. Keiser introduced the bill that is the discussion we had.

**Sen. Cook** -- I can understand that rationale but once again if we have a rental car company that testified that 75% of their business was renting to North Dakota citizens -- because their car was in the body shop and -- all they asked for was a level playing field. --other businesses that individual could go to rent the car should pay the same rate they were.

**Chairman Maragos** -- I sure would agree with you but your amendments broadened it way beyond that to small town dealerships and anybody --

**Sen. Cook** -- again only if the small towns have a convention and visitors bureau -- and they have a 2% room tax -- I don't think it broadens it --

**Chairman Maragos** -- it certainly brings in the auto dealerships we don't want the auto dealerships in this -- we sent you a bill that wasn't that broad and we think you would want to

restrict that -- I think you would want that too and all we are saying is that you should restore it back to the way it was and make it more restrictive rather than less.

**Sen. Cook** -- I don't think it is wise for us to do that today -- we can give it strong consideration and come back to another meeting but I must remind you that we have killed this once in the Senate and we had to call it back. The amendments we put on -- were put on to take away some of the objections to the bill. That is probably where we are at we will look at this and I hope your side does the same.

**Chairman Maragos** -- I agree wholeheartedly -- we will and we are adjourned.

End ( 11.9 )

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1454 conf b

House Political Subdivisions Committee

☒ Conference Committee

Hearing Date April 8, 2005

Tape Number	Side A	Side B	Meter #
1	x		0.5 to 15.4
Committee Clerk Signature <i>Lauren B. Zink</i>			

Minutes: Conference committee meeting Chaired by Rep. Maragos.

Conferees:

Sen. Cook

Rep. Maragos

Sen. Lee

Rep. Pietsch

Sen. Fairfield

Rep. Kaldor

All members were.

**Chairman Maragos** -- opened the meeting saying that at the last meeting the House members after the review of the bills history, were asking that the Senate recede from their amendments. The House felt that the Senate actions broadened the scope of the bill to include automobile dealers and small towns. We do have some new information.

**Sen. Cook** -- The information was sent in by E-mail. It provides information on the car rental agencies in the various cities in the State and the population (size ) of the top 25 largest cities in

the state. It shows that if this were to apply to cities of over 10,000 population they all have car rental services.

**Chairman Maragos** ( 2.5 ) It really had nothing to do with cities --it had to do with car dealerships. It had to do with the definition with of a retailer -- of who would have to collect the taxes. Cities can do whatever they want --really what we intended was to make sure we did not include the car dealerships whose primary business is not car rentals but do have only an occasional rental. That occurs when there are people who have a car damaged and being repaired and most often covered by insurance. By removing that you have included the car dealerships, that has to do with businesses that really doesn't have anything to do with renting cars. We felt they should not be included because rentals is not their primary business.

**Sen. Lee** -- ( 3.9 ) Just an observation -- I think car dealerships that have leasing businesses also rent cars --lease cars for several weeks -- they rent them to insurance companies so the insurance company can provide transportation when needed -- so I think by including them ----? ---? --- So they aren't really competing.

**Chairman Maragos** -- I think Enterprise for example competes in all markets. To eliminate then as opposed to Avis, Budget, -- and others --- remember now the primary business if to be renting cars for periods of less than thirty days -- if you rent one for say two weeks and the insurance pays -- the insurance company is really providing you the transportation. I honestly think that what the sponsor of the bill intended --was to allow the larger cities that have fairly decent traffic in and out of their cities through their airports to be able to raise some money funds -- I certainly would want to put this on the dealerships -- I would hope you would recede from your amendments -- and leave the definition of retailer as a rental company whose primary

business is renting cars -- I would put one caveat on there -- that if there is a business within the structure of a automobile dealership which is a stand alone rental agency --- inside a dealership then I don't see any reason why they shouldn't have to compete just like anyone else. But, if they are just a composite of the automobile dealership and it is a small percentage of their business then I don't think we should require them to be involved.

**Sen. Lee** -- I am not seeing the hardship for that dealership -- it just gives everyone to compete for the same markets.

**Rep. Pietsch** -- We were not thinking in terms of competing -- it was not to require the car dealerships, the small repair shops, -- they are not competing -- it is not their main business to rent cars - it is not their main income -- we were thinking of the traveling people who rely on car rental agencies -- not the little shops to get caught up in this --

**Sen. Lee** --In my case -- in Fargo -- it wasn't the little shop -- the Insurance company sent me to a large dealership to rent my car -- to exclude them would be exclude a fair amount of business.

**Chairman Maragos** -- My only comment is -- we did not have any evidence ( testimony ) that automobile dealerships have a substantial portion of the car rental market -- especially at the airports.

**Sen. Fairfield** -- But that is the case at the Jamestown airport -- they do not have a car rental booth at the airport by the car dealers in town have a phone the you can call them and they will come out to the airport -- pick you up -- you rent from them --if you exempted them that is the only option at the Jamestown airport.

**Chairman Maragos** -- Well you said they have a franchise at the airport - sort of -- if they have a stand alone franchise -- as part of their dealership -- then I think they should be included for the

business they do at the airport. Generally a stand alone franchise business within a business --if that is the case they would probably fit under this bill. The franchise itself would be the retailer -- not the dealership.

**Sen. Fairfield** -- I am wondering then -- in Jamestown which I am familiar with -- if one dealership had a franchise and the other didn't -- the franchise would collect the tax and the other dealerships rented cars but didn't collect the tax because they were exempted -- how would we handle that?

**Sen. Cook** -- A couple of comments --I didn't vote for the bill in the first place -- I do believe that if we are going to increasing this tax on rental vehicles -- my concern is that it apply equally to everybody that's in the business -- we should never allow an unfair advantage due our tax policies -- back the discussions which are trying to get this focused on out of state travelers who come through airports -- we had an amendment offered that we didn't consider -- we certainly could consider it here -- just to limit this rental increase to those agencies located at the airport. I would -- I think that makes it a fair tax. It would also limit the amount of tax the North Dakota citizens would pay.

**Chairman Maragos** -- Your proposal is to limit to agencies that rent at the airport --

**Sen. Cook** -- I just offer that as a suggestion.

**Chairman Maragos** -- We will need some information to make that decision -- on the surface it sounds all right to me. I can't think of the down side so I think what we need to do is to recess -- adjourn and come back again and I will see if there is any reasonable rationale not to make that change.

**Sen. Lee** -- is the tax now at that collected at airports --

**Bill Shalhoob** -- in response to the question referred to him by the Chairman --responded that there a tax --- not a rental tax but rentals are taxed a state 5% sales tax --and a 3% highway use tax -- in 2001 is when the 3% went on -- that was in lieu of the gas --it goes into the highway trust fund. Car rentals are specifically prohibited from city sales taxes. So the 1% -- well they are charged a total of 8% now.

**Chairman Maragos** -- I remind you they want this to fund promotions. I am sure that the promotions didn't just promote Fargo, Grand Forks or Bismarck. It promotes the larger aspect of tourism in North Dakota. I will adjourn this meeting to reschedule later.

End ( 15.6 ) .

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1454 conf c

House Political Subdivisions Committee

☒ Conference Committee

Hearing Date April 11, 2005

Tape Number	Side A	Side B	Meter #
1	x		0. 1.0 to 2.0
Committee Clerk Signature <i>Louise H. Fife</i>			

Minutes: Conference committee meeting on HB 1454 chaired by Rep. Maragos.

Conferees:

Sen. Cook

Rep. Maragos

Sen. Lee

Rep. Pietsch

Sen. Fairfield

Rep. Kaldor

All members were present except Sen. Fairfield and Rep. Kaldor. The meeting was announced on the floor.

**Chairman Maragos** opened the discussion asking Sen. Cook to proceed.

**Sen. Cook** moved that the Senate recede from its amendments and the amend the bill with 50713 version .0102 which all members had copies of. And moved the amendments. **Rep.**

Page 2  
House Political Subdivisions Committee  
Bill/Resolution Number HB 1454  
Hearing Date April 11, 2005

**Pietsch** seconded the motion. On a roll call vote the motion carried unanimously with all members present voting aye.

**Chairman Maragos** declared the motion prevailed and adjourned the meeting thanking everyone for their participation.

End. ( 2.0 )

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1454 conf d

House Political Subdivisions Committee

☒ Conference Committee

Hearing Date April 12, 2005

Tape Number	Side A	Side B	Meter #
1	x		0.1 to 3.2
Committee Clerk Signature <i>Lauren H. Fiske</i>			

Minutes: Conference committee meeting on HB 1454 Chaired by Rep. Maragos.

Conferees:

Sen. Cook

Rep. Maragos

Sen. Lee

Rep. Pietsch

Sen. Fairfield

Rep. Kaldor

All members were present.

**Chairman Maragos** explained that the reason he called HB 1454 back to committee was that he had been reliably informed that the amendment which was passed at the previous meeting was unquestionably unconstitutional. Therefore he had a revision in the form of an amendment to correct the wording. The new language was checked carefully by the several of the Legislative

Page 2

House Political Subdivisions Committee

Bill/Resolution Number HB 1454

Hearing Date April 12, 2005

Council staff. Copies of the new proposed wording had been distributed to the committee members.

**Rep. Kaldor** moved to reconsider the previous actions of the committee. **Rep. Pietsch** seconded the motion. Motion carried unanimously.

**Sen. Cook** moved that the Senate recede from its amendments and moved that HB 1454 be amended with the amendments proposed in LC 50713. 0103. **Rep. Pietsch** seconded the motion. On a roll call vote the committee all vote aye. The motion was declared carried. .

**Chairman Maragos** thanked all the members and adjourned the meeting.

End ( 3.2 )

**Conference Committee Amendments to HB 1454 (50713.0102) - 04/11/2005**

That the Senate recede from its amendments as printed on page 1454 of the House Journal and page 1063 of the Senate Journal and that House Bill No. 1454 be amended as follows:

Page 1, line 9, after "vehicle" insert "from an airport location"

Renumber accordingly

REPORT OF CONFERENCE COMMITTEE  
(ACCEDE/RECEDE)

Bill Number HB 1454, as (re)engrossed):

Date: April 11, 2005

Your Conference Committee Political Subs

For the Senate:

YES / NO

For the House:

YES / NO

✓ <u>Sen. Cook</u>	✓		✓ <u>Rep. Maragos</u>	✓	
✓ <u>Sen. Lee</u>	✓		✓ <u>Rep. Pietsch</u>	✓	
<u>Sen. Fairfield</u> A			<u>Rep. Kaldor</u> A		

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) 1454 --

and place HB 1454 on the Seventh order.

✓, adopt (further) amendments as follows, and place 1454 on the Seventh order:

having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) HB 1454 was placed on the Seventh order of business on the calendar.

DATE: 4/11/05

CARRIER: Rep. Maragos

LC NO. 50713.0102 of amendment

LC NO. of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

MOTION MADE BY: Sen. Cook

SECONDED BY: Rep. Pietsch

VOTE COUNT 4 YES 0 NO 2 ABSENT

Revised 4/1/05

**REPORT OF CONFERENCE COMMITTEE**

**HB 1454:** Your conference committee (Sens. Cook, G. Lee, Fairfield and Reps. Maragos, Pietsch, Kaldor) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 1454 and place HB 1454 on the Seventh order.

That the Senate recede from its amendments as printed on page 1454 of the House Journal and page 1063 of the Senate Journal and that House Bill No. 1454 be amended as follows:

Page 1, line 9, after "vehicle" insert "from an airport location"

Renumber accordingly

HB 1454 was placed on the Seventh order of business on the calendar.

**Conference Committee Amendments to HB 1454 (50713.0103) - 04/12/2005**

That the Senate recede from its amendments as printed on page 1454 of the House Journal and page 1063 of the Senate Journal and that House Bill No. 1454 be amended as follows:

Page 1, line 10, after "days" insert "if that motor vehicle is either delivered to a renter at an airport or delivered to a renter who was picked up by the retailer at an airport"

Renumber accordingly

REPORT OF CONFERENCE COMMITTEE  
(ACCEDE/RECEDE)

Bill Number HB 1454 as (re)engrossed):

Date: April 12, 2005

Your Conference Committee Political Subs

For the Senate:

2nd YES / NO 4/12

For the House:

2nd YES / NO

<u>4/12</u> ✓ <u>Sen. Cook</u> ✓ ✓		✓ <u>Rep. Maragos</u> ✓ ✓	
✓ <u>Sen. Lee</u> ✓ ✓		✓ <u>Rep. Pietsch</u> ✓ ✓	
✓ <u>Sen. Fairfield</u> ✓ ✓		✓ <u>Rep. Kaldor</u> ✓ ✓	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) 1454 --

and place on the Seventh order.

✓, adopt (further) amendments as follows, and place HB 1454 on the Seventh order:

having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) HB 1454 was placed on the Seventh order of business on the calendar.

DATE: April 12, 2005  
CARRIER: Rep. Maragos

LC NO. <u>50713.0103</u> of amendment <u>.0300</u>
LC NO. of engrossment
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: Sen. Cook

SECONDED BY: Rep. Pietsch

VOTE COUNT 6 YES 0 NO 0 ABSENT

Revised 4/1/05

**REPORT OF CONFERENCE COMMITTEE**

**HB 1454:** Your conference committee (Sens. Cook, G. Lee, Fairfield and Reps. Maragos, Pietsch, Kaldor) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 1454, adopt amendments as follows, and place HB 1454 on the Seventh order:

That the Senate recede from its amendments as printed on page 1454 of the House Journal and page 1063 of the Senate Journal and that House Bill No. 1454 be amended as follows:

Page 1, line 10, after "days" insert "if that motor vehicle is either delivered to a renter at an airport or delivered to a renter who was picked up by the retailer at an airport"

Renumber accordingly

HB 1454 was placed on the Seventh order of business on the calendar.

**2005 TESTIMONY**

HB 1454



## *Convention & Visitors Bureau*

January 27, 2005

Dear Mr. Chairman and members of the Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau.

**The Dickinson Convention & Visitors Bureau is in favor of HB 1454.**

This proposed bill would enable a local city visitors committee to collect additional revenue that would in turn provide them the opportunity to create and/or purchase marketing materials. These marketing materials are the working tools that attract the visitors to those destinations.

While the cities that have car rental businesses may in fact be the larger communities in our state, these larger communities are the gateway to the "Legendary" experience that all of North Dakota has to offer, including the scenic byways, natural resources and historical attractions.

Dickinson in fact would not be one of the larger communities that I am referring to. While we could be a car rental tax benefactor, we have only one car rental business, which is a service of an auto dealer that primarily services our local airport customers.

The larger communities of Fargo, Grand Forks and Bismarck could be the bigger direct recipients of a car rental tax, but I want to stress that this would in fact also benefit Dickinson, Jamestown, Killdeer and other smaller North Dakota communities. These larger cities promote and attract visitors who, also many times continue to travel on our roads to experience the "Legendary" sites and attractions in our rural communities throughout the state.

**Please support HB 1454.**

Sincerely,

Terri Thiel  
Executive Director



Fargo-Moorhead Convention & Visitors Bureau

### Testimony of Cole Carley, Fargo-Moorhead Convention & Visitors Bureau

Chairman Devlin and Members of the Committee:

About 20 years ago, the legislature passed the local-option lodging tax bill. We now know that the economic benefits of tourism spread throughout the community, touching many different segments of local economies.

We're asking you to consider and approve a bill that is a close cousin to the lodging tax law: A piece of enabling legislation that allows local cities to choose if they wish 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 in concert with local tourism organizations and local car rental agencies.

(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 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.


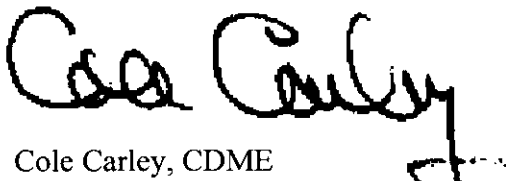
  
P.O. Box 2164  
Fargo, ND 58107  
  
2001 44th Street SW  
Fargo, ND 58103  
  
Phone 701-282-3653

800-235-7654

  
FAX 701-282-4366

  
[www.fargomoorhead.org](http://www.fargomoorhead.org)

e-mail:   
[fmcvb@fargomoorhead.org](mailto:fmcvb@fargomoorhead.org)

  
  
Cole Carley, CDME

ND Hospitality Assn. Testimony  
House Political Subdivisions Committee  
HB 1454

Mr. Chairman and members of the committee, my name is Bill Shalhoob and I represent the ND Hospitality Assn. We are appearing today in support of HB 1454.

We do so for two reasons. Today the current tourism marketing budget for cities in North Dakota comes exclusively from the 2% room tax collected by hotel and used by Convention and Visitors Bureaus for local efforts. This tax has been in use since enabling legislation allowing the local option was enacted in 1979. We believe auto rentals are a logical extension of the tourism industry in this regard and the income additional income would be welcome. This is not a mandatory tax but a local option that would be left up to the discretion of local political subdivisions to add if they see a use for any taxes generated and their citizens agreed with the action. Second, whereas 65% of hotel guests to our facilities are domestic visitors, i.e. North Dakotans, the percentage out of state visitors renting vehicles is much higher. It might be argued that most of the residents renting autos involve auto claims and the tax would then be paid by an insurance company. Finally I would point out that our current tax rate for rental cars is substantially below those charged in most localities. This tax at its present level might be too much of a bargain.

We are asking for your support of HB 1454. Thank you for your consideration and I would be happy to answer any questions.

## **HOUSE BILL 1454**

**Testimony of Shannon Gangl  
Chairman of the Board  
Bismarck-Mandan Convention and Visitors Bureau  
January 27, 2005**

Chairman Devlin and members of the House Political Subdivisions Committee:

I am Shannon Gangl, Chairman of the Board of Directors for the Bismarck-Mandan Convention and Visitors Bureau. I'm testifying in favor of House Bill 1454 on behalf of our organization.

Our Convention and Visitors Bureau is a sales and marketing organization whose mission is to stimulate economic growth by increasing visitor volume and visitor expenditures. We accomplish this goal by implementing programs in meeting and convention sales, group tour marketing and leisure tourism marketing.

Tourism is a significant contributor to our local economy. Overnight visitors to Bismarck-Mandan spend approximately \$130 million dollars annually. Convention delegates and event attendees collectively spend an average of \$50 million annually. Our local tourism industry has experienced gradual, steady growth since 1990.

As you can imagine, each year it gets more costly to advertise and to compete in the marketplace. For example, a 1/6 page ad in Midwest Living Magazine cost us \$5,000. In addition to advertising, there often times are bidding fees, shuttle transportation costs, facility fees, etc. that a community or host committee has to pay.

If your community does not have car rental agencies you might ask how this is going to benefit you. In our marketing efforts, we don't just promote Bismarck-Mandan. We promote all of western North Dakota and often times the entire state. For example, last fall our CVB hosted two outdoor journalists who rented a car at Enterprise here in Bismarck. They traveled to Devils Lake, Carrington and near Richardton hunting and searching for story material. Then there was the couple from California who came here last summer to golf the Lewis & Clark golf trail. They rented a car in Bismarck and spent 12 days golfing all the courses along the Lewis & Clark trail

We are asking for your support of HB 1454 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. A one percent surcharge on car rentals in Bismarck-Mandan would generate approximately \$40,000 annually.

# North Dakota

## Tourism Alliance Partnership

P.O. Box 2599  
Bismarck, ND 58502  
(701) 355-4458  
FAX (701) 223-4645

### MEMBERS

Alerus Center  
Apple Core Enterprises, Inc.  
Basin Electric Power Cooperative  
Best Western Seven Seas/  
Doublewood Inn Hotels  
Bismarck-Mandan CVB  
Devils Lake CVB  
Dickinson CVB  
Expressway Inn & Suites  
Fargodome  
Fargo-Moorhead CVB  
Flint Group  
Fort Abraham  
Lincoln Foundation  
Greater Grand Forks CVB  
International Inn of Minot  
International  
Peace Garden  
Lewis & Clark  
Fort Mandan Foundation  
Lewis & Clark Riverboat  
MDU Resources Group, Inc.  
Medora Information  
Municipal Airport  
Authority of the  
City of Fargo  
Norsk Hostfest  
ND Aeronautics Commission  
ND Assoc. of Convention &  
Visitors Bureau  
ND Guides & Outfitters Assn.  
ND Indian Gaming Assoc.  
ND Nature & Rural Tourism  
Assoc.  
NDSU Hospitality & Tourism  
Management Program  
College of Human  
Development & Education  
ND Tourism Division  
Odney Advertising  
Ralph Engelstad Arena  
Ramkota Properties  
Spirit Lake Casino and Resort  
Theodore Roosevelt  
Medora Foundation  
Woodland Resort, Inc.

**Testimony of Dana Bohn**  
**Tourism Alliance Partnership Executive Director**  
**House Bill 1454**  
**January 27, 2005**

Chairman Devlin and members of the House Political  
Subdivisions Committee:

My name is Dana Bohn. I am the executive director of the North Dakota Tourism Alliance Partnership (TAP). TAP is a coalition of about three dozen tourism industry organizations and businesses that represent each of the various sectors of the tourism industry. Today, I am here on behalf of TAP to encourage you to support HB 1454.

Tourism has been identified as one of our state's largest and fastest growing industries in North Dakota and marketing is a key component of the tourism industry's success.

Although this bill would mainly generate money for larger communities with car rentals, all the various sectors of the tourism industry have agreed to support this bill. They support it because it provides additional funds for the communities that are marketing their entire region. For example the Bismarck-Mandan CVB packages all of the attractions and opportunities available to visitors within a 100 mile radius because that is what works. And, if we get people to Bismarck or Fargo, the chances of them stopping in other communities and tourism attractions along the way is very good.

We are very appreciative of the work the legislature did last session to increase the marketing budget for the State Tourism Division. This bill would allow communities, if they so choose, to do the same. Many of the local communities are already working with the state to leverage their local marketing dollars. This bill would allow them to further enhance those efforts.

Thursday, January 27, 2005

HOUSE POLITICAL SUBDIVISIONS COMMITTEE  
HB 1454

REPRESENTATIVE DEVLIN AND COMMITTEE MEMBERS:

My name is Jack McDonald. I am appearing today on behalf of Enterprise Rent-a-Car Company. We oppose HB 1454 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 an 8% sales tax imposed on it. Since then the industry has had its fees, or taxes, increased at all of the state's major airports. Last session this same bill was defeated. 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% to 75% 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. There is constant talk of increasing the state's tourism industry but this bill seeks to increase taxes on out-of-state visitors. That doesn't seem like a logical way to attract more visitors.

As an alternative, we would suggest you at least spare North Dakota citizens this tax increase by limiting this tax to car rentals to nonresidents. You could do this with the amendment I've suggested below or you could also do it by limiting the tax to rentals from airport locations. We would be happy to work with the sponsor and the Tax Department on the proper wording.

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

PROPOSED AMENDMENTS TO HOUSE BILL 1454

On page 1, line 9, after the word "rental" insert "to an out-of-state resident"

Re-number accordingly

ND Hospitality Assn. Testimony  
Senate Political Subdivisions Committee  
HB 1454

Mr. Chairman and members of the committee, my name is Bill Shalhoob and I represent the ND Hospitality Assn. We are appearing today in support of HB 1454.

In its simplest terms, HB 1454 allows the governing body of a city to impose up to a 1% tax on the gross receipts of a retailer of rental vehicles. The tax collected is then deposited in the city visitors' promotion fund and used for city efforts for marketing and advertising efforts. The legislation is an extension of the local option 2% room tax passed by the legislature in 1979 and used today in many municipalities to fund their local tourism efforts through convention and visitors bureaus or visitor committees. Currently automobile rentals are subject to a 5% state sales tax and a 3% highway surcharge, a total of 8%. They are the only item strictly prohibited from any city sales taxes. Rental agencies may pay additional fees in airport locations. For example, agencies located at the Bismarck Airport pay an 11.5% concession fee and a \$3.75 transaction fee. The first is paid to the airport in lieu of rent and the second in lieu of paying for space improvement costs in the new terminal currently under construction. A summary of the fees and the history of their enactment provided by the Bismarck Airport management is attached. In both of these cases the car rental businesses at the airport have negotiated terms and conditions to keep their base costs lower and pass on normal business operating costs directly to the customer based on the number of contracts issued, that is performance driven and not fixed expenses. This is certainly their right and since the Landlord agreed to the terms it must be good for both parties. However, neither item is a tax and should not be considered so.

Today the current tourism marketing budget for cities in North Dakota comes from the 2% room tax collected by hotels and used by Convention and Visitors Bureau's for local efforts. We believe auto rentals are a logical extension of the tourism industry and the additional income would help cities in their marketing effort. Last session the legislature thought the effort important enough to pass an additional 1% room tax to increase the marketing funds of the ND Tourism Department. It brought the room tax to at least 10% in almost all North Dakota cities.

It is important to emphasize this is not a mandatory tax but a local option that would be left up to the discretion of local political subdivisions to add if they see a use for any taxes generated and their citizens agreed with the action. Rural communities where the auto dealer is renting cars while a car is being repaired or for the occasional visitor would not be affected. Current tourism data shows while 65% of hotel guests to our facilities are domestic visitors, i.e. North Dakotans, the percentage out of state visitors renting vehicles is much higher. It might be argued that most of the residents renting autos involve auto claims and the tax would then be paid by an insurance company. We have all been told that the best tax is one that someone else pays. In this bill we have found one of the best ways to have a tax that is paid by visitors, not residents. Finally, I would point out that our current tax rate for rental cars is substantially below that charged in most localities. This tax at its present level is a bargain.

We are asking for your support of HB 1454. Thank you for your consideration and I would be happy to answer any questions.

**RENTAL CAR COMMISSION INFORMATION****BISMARCK AIRPORT****Airport Concession Fee:**

The Airport Concession Fee is 11.5% of the gross revenues derived from the Concessionaire's rental car operations at the Airport. The Airport Concession fee is paid by the car rental agencies in lieu of paying rent for the facilities at the Airport that they use to conduct their business operations. Up until about 5 years ago, this fee was paid for out of the revenue that was collected on every rental and was not shown as a separate fee on the receipt. However, today their Concession Fee shows up on the receipt as a separate charge to their customers. In other words, the Airport industry as a whole, allowed them to pass the cost of doing business at the Airport directly through to their customers.

**Transaction Fees:**

Beginning July 1, 2004, Concessionaires shall collect a Transaction Fee of \$3.75 per transaction from each rental car customer on behalf of the City. The transaction fee is implemented in order to recover the City's costs in providing rental car facilities and/or enhancements to the New Facilities at the Airport. The transaction fee was favored by the Bismarck rental car agencies instead of an increase to their concession fee.

**Taxes:**

Avis, Hertz and Enterprise each pay a 5% state tax and a 3% highway surcharge.

**HOUSE BILL 1454**  
**Senate Political Subdivisions Committee**

**Testimony of Terry Harzinski**  
**Executive Director**  
**Bismarck-Mandan Convention and Visitors Bureau**  
**March 4, 2005**

Chairman Cook and Senators Hacker, Dever, Lee, Fairfield and Triplett:

I am Terry Harzinski, Executive Director for the Bismarck-Mandan Convention and Visitors Bureau. I'm testifying in favor of House Bill 1454 on behalf of our organization.

Our Convention and Visitors Bureau is a sales and marketing organization whose mission is to stimulate economic growth by increasing visitor volume and visitor expenditures. We accomplish this goal by implementing programs in meeting and convention sales, group tour marketing and leisure tourism marketing.

Tourism is a significant contributor to our local economy. Overnight visitors to Bismarck-Mandan spend approximately \$130 million dollars annually. Convention delegates and event attendees collectively spend an average of \$50 million annually. Our local tourism industry has experienced gradual, steady growth since 1990.

As you can imagine, each year it gets more costly to advertise and to compete in the marketplace. For example, a 1/6 page ad in Midwest Living Magazine cost us \$5,000. In addition to advertising, there often times are bidding fees, shuttle transportation costs, facility fees, etc. that a community or host committee has to pay.

If your community does not have car rental agencies you might ask how this is going to benefit you. In our marketing efforts, we don't just promote Bismarck-Mandan. We promote all of western North Dakota and often times the entire state. For example, last fall our CVB hosted two outdoor journalists who rented a car at Enterprise here in Bismarck. They traveled to Devils Lake, Carrington and near Richardton hunting and searching for story material. Then there was the couple from California who came here last summer to golf the Lewis & Clark golf trail. They rented a car in Bismarck and spent 12 days golfing all the courses along the Lewis & Clark trail.

We are asking for your support of HB 1454 to enable cities to place a one percent surcharge on vehicle rentals of 30 days or less so this money can be used for tourism promotion. We feel this is an equitable way to raise some additional funds for local tourism promotion. A one percent surcharge on car rentals in Bismarck-Mandan would generate approximately \$40,000 annually.

*Attachment 2B*

## *Convention & Visitors Bureau*

March 1, 2005

Dear Mr. Chairman and members of the Senate Political Subdivisions Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau.

**The Dickinson Convention & Visitors Bureau is in favor of HB 1454.**

This proposed bill would enable a local city visitors committee to collect additional revenue that would in turn provide them the opportunity to create and/or purchase marketing materials. These marketing materials are the working tools that attract the visitors to those destinations.

While the cities that have car rental businesses may in fact be the larger communities in our state, these larger communities are the gateway to the "Legendary" experience that all of North Dakota has to offer, including the scenic byways, natural resources and historical attractions.

Dickinson in fact would not be one of the larger communities that I am referring to. While we could be a car rental tax benefactor, we have only one car rental business, which is a service of an auto dealer that primarily services our local airport customers.

The larger communities of Fargo, Grand Forks and Bismarck could be the bigger direct recipients of a car rental tax, but I want to stress that this would in fact also benefit Dickinson, Jamestown, Killdeer and other smaller North Dakota communities. These larger cities promote and attract visitors who, also many times continue to travel on our roads to experience the "Legendary" sites and attractions in our rural communities throughout the state.

**Please support HB 1454.**

Sincerely,

Terri Thiel  
Executive Director

# North Dakota

## Tourism Alliance Partnership

P.O. Box 2599  
Bismarck, ND 58502  
(701) 355-4458  
FAX (701) 223-4645

### MEMBERS

Alerus Center  
Apple Core Enterprises, Inc.  
Basin Electric Power  
Cooperative  
Best Western Seven Seas/  
Doublewood Inn Hotels  
Bismarck-Mandan CVB  
Buffalo City Tourism  
Devils Lake CVB  
Dickinson CVB  
Expressway Inn & Suites  
Fargodome  
Fargo-Moorhead CVB  
Flint Group  
Fort Abraham  
Lincoln Foundation  
Greater Grand Forks CVB  
International Inn of Minot  
International  
Peace Garden  
Lewis & Clark  
Fort Mandan Foundation  
Lewis & Clark Riverboat  
MDU Resources Group, Inc.  
Medora Information  
Municipal Airport  
Authority of the  
City of Fargo  
Norsk Hostfest  
ND Aeronautics Commission  
ND Assoc. of Convention &  
Visitors Bureau  
ND Guides & Outfitters Assn.  
ND Indian Gaming Assoc.  
ND Nature & Rural Tourism  
Assoc.  
NDSU Hospitality & Tourism  
Management Program  
College of Human  
Development & Education  
ND Tourism Division  
Odney Advertising  
Ralph Engelstad Arena  
Ramkota Properties  
Spirit Lake Casino and Resort  
Theodore Roosevelt  
Medora Foundation  
Woodland Resort, Inc.

### Testimony of Dana Bohn Tourism Alliance Partnership Executive Director House Bill 1454 March 4, 2005

Chairman Cook and members of the Senate Political Subdivisions  
Committee:

My name is Dana Bohn. I am the executive director of the North Dakota  
Tourism Alliance Partnership (TAP). TAP is a coalition of about three  
dozen tourism industry organizations and businesses that represent  
each of the various sectors of the tourism industry. Today, I am here on  
behalf of TAP to encourage you to support HB 1454.

Tourism has been identified as one of our state's largest and fastest  
growing industries in North Dakota and marketing is a key component  
of the tourism industries success.

Although this bill would mainly generate money for larger communities  
with car rentals, all the various sectors of the tourism industry have  
agreed to support this bill. They support it because it provides  
additional funds for the communities that are marketing their entire  
region. For example the Bismarck-Mandan CVB packages all of the  
attractions and opportunities available to visitors within a 100 mile  
radius because that is what works. And, if we get people to Bismarck or  
Fargo, the chances of them stopping in other communities and tourism  
attractions along the way is very good.

We are very appreciative of the work the legislature did last session to  
increase the marketing budget for the State Tourism Division. This bill  
would allow communities, if they so choose, to do the same. Many of  
the local communities are already working with the state to leverage  
their local marketing dollars. This bill would allow them to further  
enhance those efforts.



March 4, 2005

Chairman Cook and Members of the Committee:

attachment # 3 B  
Fargo-Moorhead Convention & Visitors Bureau  
2001 44th Street SW  
Fargo ND 58103

Phone: 701-282-3653  
Fax: 701-282-4366  
Toll Free: 800-235-7654  
Internet: [www.fargomoorhead.org](http://www.fargomoorhead.org)  
E-mail: [cole@fargomoorhead.org](mailto:cole@fargomoorhead.org)

**Cole Carley, CDME**  
**Executive Director**

Almost 25 years ago, the Legislature created the state lodging tax law. This was enabling legislation that gave cities the opportunity to promote themselves and their area through a local tax on occupied hotel rooms. In their foresight, the legislators also allowed a food and beverage option since the two segments of the industry were so closely tied.

Had they know, 25 years ago, that air travel would become so available and so much more affordable, undoubtedly they would have also allowed a car rental tax since that segment of business is as much a part of tourism as hotels and restaurants. We're asking you to update that situation.

Like the lodging tax, it is enabling legislation. It allows cities a very narrow right to decide about promotion like many cities all over America. Car rental taxes for tourism promotion are almost as common in many larger cities as lodging or restaurant taxes.

Let's look at some potential objections:

**This tax, if created by cities, would be paid for by North Dakotans.**

Not so. Visitors from out of state are paying most of the bill. In the cases of local car rentals due to vehicle repair, insurance companies are paying. And, if enacted, would be a user tax paid only by car rental customers.

**This would be a burden for insurance companies, causing some to leave North Dakota.**

Over a 1% addition to prices? That seems very unlikely.

**If a city creates this tax, it drives the prices of car rentals too high.**

North Dakota add-ons are some of the lowest in the national. In many cities across America, additional charges can be 25% to 40%. Ours are in the low teens or single digits.

**This would only benefit the 4 cities that have active car rental agencies.**

Untrue. Larger cities promote the surrounding region and state in their marketing. At the North Dakota Tourism Conference earlier this week, Lois Wanner of Knife River Ranch in accepting a major industry award, paid special thanks to the Bismarck-Mandan CVB for helping their business. Every year, the Fargo-Moorhead CVB promotes events and attractions outside the metropolitan border.

This bill will help bring visitors and visitors' dollars to North Dakota. This bill will help infuse more money into the general fund so that you have more with which to work in the next session.

Please approve this enabling legislation. It's a good thing for North Dakota.

Thank You,

  
**Cole Carley**  
**Executive Director**



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

Dear members of the Senate Political Subdivisions Committee:

My name is Rich Denicourt and I represent Enterprise Rent-A-Car. We oppose HB1454 for the following reasons.

First, we feel that it is an unfair bill due to the fact that it is targeted toward only one industry. Only four years ago, the car rental industry went from 0% tax to 8%. Now you're asking for another 1% on top of that.

Second, this bill will allow car dealerships who may have a rental car fleet of 50 cars to be exempt from charging this tax. Some of these companies are our direct competitors who will have a competitive advantage against us in the market.

Third, Enterprise Rent-A-Car generates approximately 90% of our business from local North Dakota residents. These are your constituents that you're asking to pay another 1% tax on top of the current 8% tax.

Finally, in speaking with Darrell Hakke, Director of Casualty Claims for NoDak Mutual Insurance Company, he aggressively opposes the bill. If more tax is assessed, North Dakotans will be forced to pay higher premiums on their insurance policies.

I am certainly in favor of boosting tourism in North Dakota, as it will directly benefit our business. However, I feel there is a more effective and fair manner of doing it.

Again, we oppose HB1454, but we would be in favor of seeing an amendment to the bill which would exempt North Dakota residents from being assessed the 1% tax.

Thank you for your consideration.

Rich Denicourt  
Regional Manager  
Enterprise Rent-A-Car

North Dakota Enterprise Rent-A-Car locations

- Bismarck
- Bismarck Airport
- Minot
- Fargo
- Fargo Gateway (Chevy)
- Fargo Airport
- Grand Forks

Breakdown of car rental types by percentage of business:

- Insurance claim replacements 28%
- Body shop rentals 2%
- Car dealership rentals 8%
- Local Corporate rentals 20%
- Weekend Specials (local) 10%
- Retail 32%
- Of the 32% Retail rentals, 54% are local residents, which leaves approximately 46% Retail that fly into Fargo and Bismarck.
- This breakdown reflects the time period of 8/1/04 – 2/28/05.
- As you can see, my number of 90% local resident rentals may seem skewed, but when you break down the Retail percentage, it's not too far off.

H B 1454

**State Farm Insurance  
2004**

Total # of 2 car accidents:	3237
Number of insured's that rented vehicle:	1147
Number of claimants that rented vehicles:	1940

\$152,616

213,400

March 4, 2005

SENATE POLITICAL SUBDIVISIONS COMMITTEE  
HB 1454

SENATOR COOK AND COMMITTEE MEMBERS:

My name is Courtney Koebele. I am appearing today on behalf of Enterprise Rent-a-Car Company. We oppose HB 1454 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 an 8% sales tax imposed on it. Since then the industry has had its fees, or taxes, increased at all of the state's major airports. Last session this same bill was defeated. 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 our competition. Note on lines 14 and 15 that the auto dealerships around North Dakota that rent out cars WILL NOT pay this new tax, but Enterprise and other car rental companies will. 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% to 75%~~ 90% 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. This bill seeks to increase taxes on out-of-state visitors to attract more visitors. That doesn't seem very logical.

As an alternative, we suggest you at least spare North Dakota citizens this tax increase by limiting this tax to car rentals to nonresidents. Resident status could easily be determined since drivers licenses are needed to rent cars. You could do this with the amendment I've suggested below or you could also do it by limiting the tax to rentals from airport locations. We would be happy to work with the sponsor and the Tax Department on the proper wording.

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

PROPOSED AMENDMENTS TO HOUSE BILL 1454

On page 1, line 9, after the word "rental" insert "to an out-of-state resident"

Renumber accordingly