

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2392

2005 SENATE FINANCE AND TAXATION

SB 2392

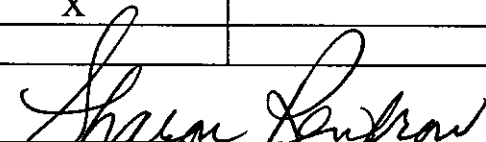
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2392**

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date **February 2, 2005**

Tape Number	Side A	Side B	Meter #
#2	X		0.0 - 10.6
#2	X		29.5 - 37.5
Committee Clerk Signature 			

Minutes:

SEN. SYVERSON: appeared as prime sponsor with written testimony and attachments regarding antique and older airplanes.

SEN. BERCIER: what is a docent?

ANSWER; someone who would guide the guests through a museum explaining the displays, etc.

GARY NESS: Director of ND Aeronautics Commission appeared in support with written testimony and suggested a change on sections in reference to 3 sections to help keep the definition of older aircraft referenced.

Mr. Ness also handed out written testimony from Donald Larson of Minot, ND who could not make it to the hearing.

SEN. EVERY: has there been any discussion among the aeronautics commission about doing something at your museums in honor of Tommy Wakefield?

ANSWER: there is a article that is going to be published in the ND Aviation Quarterly that is a communication instrument from the ND Aviation Council and I know there is some stuff going on.

SEN. WARDNER: could you see this happening kind of like antique cars where people buy them and then sell them at a higher price, so its kinda like an investment?

ANSWER: Yes

DEAN AFFOLTER: Vice President of EAA appeared in support stating that museums very much attract people, so anything you can do to get these people here would be a plus plus situation for ND.

Closed the hearing.

AFTERNOON COMMITTEE WORK

SEN. WARDNER: this is the vintage air craft one and if you recall Gary Ness from the Aeronautics Commission in his testimony suggested an amendment that I think is important and would move to **ADOPT THOSE AMENDMENTS**, seconded by Sen. Every.

VOICE VOTE: 6-0-0 Amendments adopted

SEN. TOLLEFSON made a motion for **DO PASS AS AMENDED**, seconded by Sen. Every.

ROLL CALL VOTE: 6-0-0 Sen. Tollefson will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/25/2005

Bill/Resolution No.: SB 2392

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 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.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

SB 2392 provides a reduced aircraft excise tax rate for vintage aircraft used for displays or in airshows. This bill is expected to have a fiscal impact of less than \$5000 for the 2005-07 biennium.

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:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/01/2005

Date: 2-2-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *SB 2392*

Senate	Finance and Taxation	Committee
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☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Adopt Amendment

Motion Made By Wardner Seconded By Evay

[illegible]

Total	(Yes)	No
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Absent

Floor Assignment

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

Date: 2.2.05
Roll Call Vote #: 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *SB 2392*

Senate **Finance and Taxation** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended.

Motion Made By Tollison Seconded By Evans

[illegible]

Total (Yes) 6 No 0

Absent B

Floor Assignment Tollefsen

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

REPORT OF STANDING COMMITTEE

SB 2392: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2392 was placed on the Sixth order on the calendar.

Page 1, line 17, replace "fifty or more years old" with "as defined in sections 2-05-11.1, 2-05-11.2, and 2-05-11.3"

Renumber accordingly

2005 HOUSE FINANCE AND TAXATION

SB 2392

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2392**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 9, 2005**

Tape Number	Side A	Side B	Meter #
1		X	6.9
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WES BELTER, CHAIRMAN Called the committee hearing to order.

SEN. JOHN SYVERSON, DIST. 45 Introduced the bill. The bill deals with excise tax on vintage aircraft. Right now there is a consortium in Fargo which anyone who has anything to do with aviation is there. There aren't any of them here.

Submitted testimony from the Board of Directors of the Fargo Air Museum, Donald Larson, Gary Ness, and Alexander Macdonald. See attached written testimony.

REP. WEILER Related to excise tax at the rate of two percent, what is it currently?

SEN. SYVERSON It is five percent.

REP. WEILER What is the cost of some of these aircraft?

SEN. SYVERSON As with any antique or old equipment, the price varies from two or three thousand dollars to over a couple hundred thousand dollars or even higher.

REP. CONRAD If a museum buys a plane, do they pay tax?

SEN. SYVERSON Stated he was not sure. I don't know if museums buy planes, they are usually loaned to or donated to these museums. That is a part of what this bill does. It requires the owner, in order to get the break on the excise tax, to have that aircraft available for public shows at least seven months out of the years.

REP. WRANGHAM Who enforces that?

SEN. SYVERSON The aeronautics commissioner has agreed to create the form that will be used to apply for the deduction in the excise tax. He will also create a form where the owner will have to report the number of airshows and days that the aircraft is on display in a year.

REP. WRANGHAM We just had a lengthy hearing on a clawback on taxes, are there provisions in the bill for how this excise tax is then assessed?

SEN. SYVERSON We had conversations with the aeronautics commissioner and he has assured us they will be complied with. The fiscal note on this is very minimal, so what we are looking at, there is not a lot of money that would have to be clawed back.

With no further testimony, the committee hearing was closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2392**

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date **March 9, 2005**

Tape Number	Side A	Side B	Meter #
2		X	30
Committee Clerk Signature			

Minutes:

COMMITTEE ACTION

REP. BELTER reviewed the bill for committee members and stated why he supported the bill.

RICK CLAYBURGH Answered questions regarding the excise tax on vintage aircraft.

REP. GRANDE Made a motion for a **do pass**.

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

11 YES 3 NO 0 ABSENT

REP. IVERSON Was given the floor assignment.

Date: 3-9-05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2392

House FINANCE & TAXATION

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

Do Pass

Motion Made By

Rep. Grande

Seconded By

Rep. Iverson

Representatives	Yes	No	Representatives	Yes	No
BELTER, WES, CHAIRMAN	✓				
DROVDAL, DAVID, V-CHAIR		✓			
BRANDENBURG, MICHAEL	✓				
CONRAD, KARI	✓				
FROELICH, ROD	✓				
GRANDE, BETTE	✓				
HEADLAND, CRAIG	✓				
IVERSON, RONALD	✓				
KELSH, SCOT	✓				
NICHOLAS, EUGENE	✓				
OWENS, MARK	✓				
SCHMIDT, ARLO	✓				
WEILER, DAVE		✓			
WRANGHAM, DWIGHT		✓			

Total (Yes)

11

No

3

Absent

Floor Assignment

Rep. Iverson

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

REPORT OF STANDING COMMITTEE (410)
March 9, 2005 5:03 p.m.

Module No: HR-43-4572
Carrier: Iverson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2392, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)
recommends **DO PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed SB 2392 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

SB 2392

From: , 112107.2332
SB 2392

Statement of Senator Syverson to the Committee on Finance and Taxation
2 Feb 05

SB 2392 Antique airplanes

I would not know if any of you have availed yourselves of the opportunity to spend a few minutes at either of our two most popular aviation museums in this state. If you haven't, you are joined by many other North Dakotans but I assure you that there are visitors from foreign countries that have stopped and spent time and dollars enjoying the efforts of the many curators, volunteers, aircraft owners that make this possible. There are dedicated aircraft museum aficionados from many countries that plan their holiday trips around museum locations and for that matter citizens from our own country that do the same thing.

These traveling folks are part of north Dakotas tourism industry, which is reputed to be the second largest segment of our economy. - as well - our well run and maintained airplane museums are a source of pride for the communities in which they are located. These facilities did not just happen but are the result of the efforts of many people. Volunteers all, there are fund raisers, docents, ticket takers, helpers and you name it and in some cases there are paid employees ... but most important of all there are the owners. Without them there would only be an empty shell of a building, but with them there is something to show in that building. There are WWII warbirds, not just from this country, but foreign samples as well, including a very rare example of a Japanese WWII fighter. There are fighters from the Korean war era, transports, trainers utility aircraft. There are even more contemporary supersonic jets. Sure, these owners do it because they have an affection for old aircraft and have pride of ownership, but they do it also to preserve the national heritage of aviation for everyone. They buy or build them, then they paint them, pamper them and present them for us to see, and we as a state tax them, when what they do is, in good measure for us. There are preliminary plans to double the size of the facility in Fargo and as a result there will be more opportunity for more owners to show their pride and joy to us.

These airplanes are not generally used in business or to take the family for a Sunday ride, but may only be flown from home base to an air show venue and home or maybe on to another show location, where young and old alike will stand in admiration, as they compare, in their own minds the evolution of design and technology that is ongoing.

We should encourage this investment both in dollars and work that these owners spend for us. Let us lighten the acquisition load a small amount for these willing purveyors of posterity by reducing the excise tax on these airplanes. Let us encourage the importation of more samples for us to see and let us show these dedicated owners that we appreciate what they are doing for us.

I respectfully ask that you and your committee look favorably on the definitional amendment that will be offered and subsequently, also on the amended bill.

NORTH DAKOTA

<http://www.state.nd.us/taxdpt>

Sales and Use Tax

Rate	Exemptions	Reference
5% Sales tax on parts	Sales and Use: No	Parts: 57-39.2-02.1
5% Excise on aircraft sales	Fly-Away Exemption: No ¹	Excise Imposed: 57-40.5-02
	Dry Lease: Taxable/no exemption	Presumption: 57-40.5-07
	Wet Lease: Taxable/ no exemption	Credit: 57-40.5-08
	Sale of Aircraft Parts: No	
	Aircraft Repair Parts: No	
	Aircraft Repair Labor: Not taxable	

Jet Fuel Tax

Excise Tax	Sales/Use Tax	Exemptions/Refunds	Reference
.08/gal.	No	Purchase for resale or use tax imposed by another state	North Dakota Century Code 57-43.3-02

Aviation Gasoline Tax

Excise Tax	Sales/Use Tax	Exemptions/Refunds	Reference
.08/gal.	No	Purchase for resale or use tax imposed by another state	North Dakota Century Code 57-43.3-02

Aircraft Registration Fees

Yes/No	How Applied	Reference
Yes	Annually. First step based on aircraft gross weight fees, ranging from \$50 to \$3,000; Second step on weight, each year reduce registration fee by 10% until the fee reaches a figure equal to 50% of the original registration fee.	NDCC 02-05-11 57-40.5-07

Personal Property Tax

Yes/No	How Applied	Reference
No	N/A	N/A

Notes

Use Tax Scenario: Parts only if separately stated.

¹ 57-40.5-07: Evidence that an aircraft was sold for delivery in this state is prima facie evidence that it was sold for use in this state.

Contacts

Sales and Use	Excise Tax Fuel	Property	Registration
Gary Anderson Dir., Sales & Special Taxes (701) 328-3471	Joan Galster Motor Fuel Tax Supervisor (701) 328-3139	N/A	Sheila M Pitzer Registrar/Account Tech (701) 328-9651

Syverson, John O.

From: Syverson, John O.

Sent: Wednesday, February 02, 2005 8:03 AM

To: Syverson, John O.

Aircraft Registration

The aircraft registration tax is "in lieu" of all other taxes on aircraft. Except the "sales and use" tax. The aircraft registration tax is on a fiscal year basis from July 1 through June 30 of the following year.

Aircraft registration tax is computed on the original list price and the age of the aircraft. The first year's tax on a new (current model) aircraft is 1% of the manufacturer's list price. The tax is reduced each year over a six year period until it is 25% of the original tax or \$50, whichever is higher or \$25 if the aircraft qualifies as a recreational vehicle (see Recreational Aircraft).

Recreational Aircraft

Any aircraft that has a base price (for tax purposes) of \$10,000 or less, and that is owned and operated solely for recreational purposes, may be listed for registration as a recreational aircraft and assessed at an annual fee of \$25.00. To qualify for recreational status, the owner must execute a sworn affidavit, which shall be provided by the commissioner, stating that the aircraft is operated solely for recreational purposes and file the affidavit with the commissioner along with an annual \$25.00 fee. The base price for tax purposes is the original manufacturer's list price--not the purchase price of the aircraft.

Antique/Classic Aircraft

Definitions: "antique" aircraft means an aircraft constructed by the original manufacturer on or before December 31, 1945; "classic" aircraft means an aircraft constructed by the original manufacturer on or after January 1, 1946, with a first year of life equal to or greater than 50 years at the time of registration.

If an antique or classic aircraft is owned and operated solely as a collector's item, it may be listed for taxation as follows: a sworn affidavit (supplied by the Department) will be submitted to the Aircraft Registration Unit along with a fee of \$25. The applicant will be issued license decals bearing the inscription "Antique Minnesota" and "Classic Minnesota" respectively, which will be valid **without renewal** for as long as the owner operates the aircraft as a collector's item or upon sale or transfer. Upon sale or transfer, the new owner must again list the aircraft for taxation in accordance with the provisions of the law. The affidavit must be filed with the first application for antique/classic status and **must be notarized**.

Agricultural Aircraft

Aircraft which are used for agricultural purposes only and are assessed fees in excess of \$500, may apply for an exemption which will limit the annual fee to a maximum of \$500 by filing an affidavit (supplied by the Department) with the Aircraft Registration Unit. The affidavit must be filed with the first application for exemption and **must be notarized**.

SB-2392

Senate Finance and Taxation Committee

Lewis and Clark Room

Gary R. Ness, Director

ND Aeronautics Commission

February 2, 2005

Mr. Chairman, my name is Gary R. Ness, Director, ND Aeronautics Commission.

I appear before this committee in support of SB-2392. Over the last several years two air museums in the state have done a very fine job in the display of aviation history across the Midwest and the state in particular. If the premise of this bill is to entice aircraft for display purposes with an excise tax break the Aeronautics Commission is in favor of the direction of this bill.

I do want to direct to the attention of the Committee the section in the Aeronautics Century Code referring to definitions to our permanent registration of certain older aircraft. 2-05-11.1 thru 2-05-11.3 outlines the registration responsibilities of the owners and the regulatory activity of the Commission related to these aircraft.

The only change that I would like to see in SB-2392 is reference to these three sections to help keep the definition of older aircraft referenced.

I would suggest this amendment:

Page 1; Line 17; over strike after (,) ~~fifty or more years old,~~

Replace with; as defined in NDCC 2-05-11.1 & 2-05-11.2 & 2-05-11.3,

We believe this will give our office a good handle on what is defined as an older aircraft and a consistent method of management.

The fiscal affect to the agency is hard to predict but I can not say that it would be negative in any way. With this type of legislation I can only see a positive side of the ledger.

I thank you this opportunity to address the Committee.

2-05-11.1. Definitions. As used in sections 2-05-11.1 through 2-05-11.3, unless the context otherwise requires:

1. "Antique aircraft" means an aircraft built and originally federally certified by its manufacturer before January 1, 1941.
2. "Classic aircraft" means an aircraft built and originally federally certified by its manufacturer after January 2, 1941, and before January 1, 1948.
3. "Warbird aircraft" means an aircraft built before January 1, 1948, expressly for the purpose of military service.

2-05-11.2. Permanent registration of certain older aircraft. On making proper application to the commission and paying the fee required under section 2-05-11.3, the owner of an antique, classic, or warbird aircraft may permanently register that aircraft in accordance with this section. An aircraft so registered may be used only for display, airshow demonstration, testing, and maintenance, and preparation flights necessary to maintain flight safety of operations otherwise permitted under this section. An aircraft so registered cannot be used for conducting commercial or private aviation business. An aircraft entitled to a permanent registration may be transferred to a new owner under that permanent registration. The new owner is entitled to permanent registration as long as the owner qualifies in accordance with this section.

2-05-11.3. Fee for a permanent registration - Issuance of registration decal - Disposition of fee. The fee for a permanent registration under section 2-05-11.2 is eighty-five dollars. The commission shall prepare a distinctive decal denoting permanent registration under section 2-05-11.2. That decal must be displayed in the aircraft in the same manner required for the registration decal otherwise issued under this chapter. The fee must be deposited in the aeronautics commission special fund.



AIRCRAFT PERMANENT REGISTRATION
NORTH DAKOTA AERONAUTICS COMMISSION
SFN 14378 (Rev. 09-2001)

NO: _____

Antique, classic or warbird aircraft may be permanently registered with the North Dakota Aeronautics Commission. An aircraft that qualifies for permanent registration may be used only for display, airshow demonstration, testing and maintenance, and preparation flights necessary to maintain flight safety of operations. These aircraft cannot be used for conducting commercial or private aviation business. Permanent registration may be transferred to a new owner.

**CHECK
CLASSIFICATION
BEING APPLIED
FOR**

- ☐ **ANTIQUE AIRCRAFT** built and originally federally certified before January 1, 1941.
- ☐ **CLASSIC AIRCRAFT** built and originally federally certified after January 2, 1941 and before January 1, 1948.
- ☐ **WARBIRD** built before January 1, 1948 expressly for purpose of military service.

Owner's Name		
Address		
City	State	Zip Code

**One Time
Registration
Fee is \$85.00 which
includes declaration
and decal.**

County of Residence		Telephone Number	
Aircraft FAA No. N-	Make/Model	Year Mfg.	
Manufacturer Serial No.		Airport Location Base	
Owner's Signature		Date Signed	

RETURN WITH \$85 REMITTANCE TO:
NORTH DAKOTA AERONAUTICS COMMISSION
P.O. Box 5020
Bismarck, ND 58502

TELEPHONE (701) 328-9650

FOR OFFICE USE ONLY	
Permanent Registration	\$75.00
Decal Fee	\$10.00
Amount Remitted	\$85.00



January 31, 2005

SB 2392

Same to House

Mr. Chairman & Members of the Committee

My name is Donald Larson of Minot, North Dakota. I am submitting this testimony in favor of **SB 2392**. I was one of the incorporators of the Dakota Territory Air Museum, Minot, North Dakota in 1986 and have served on the Board of Directors since that time.

I feel the provisions of this bill could be beneficial to organizations such as ours, since it is an incentive for individuals to purchase older "antique" aircraft and display them in museums and at public events like airshows. Many of these vintage aircraft can be very expensive and a 3% reduction in excise tax could be substantial.

Thank you for the opportunity to offer this testimony and ask for your favorable vote on **SB 2392**.

Donald Larson

Whereas, the Fargo Air Museum is dedicated to the preservation of the history of aviation, and

Whereas, the education of our youth into aviation's heritage is best served by presenting to them the actual aircraft that contributed to that legacy, and

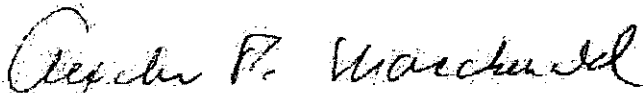
Whereas, the display of vintage aircraft both at museums and air shows is but one additional means of presenting to the public a portion of this nations history, and

Whereas, the recognition of those individuals who pioneered the development of aviation in North Dakota along with the aircraft they flew and/or owned contributes to the documented history of our state and adds to its position as one of aviation's pioneers, and

Whereas, the reduction of the excise tax imposed on the purchase of vintage aircraft will encourage the purchase of such airplanes for the purpose of exhibition at museums and air shows,

THEREFORE BE IT RESOLVED THAT the Fargo Air Museum Board of Directors hereby requests the House to favorably consider SB 2392 relating to the reduction of excise taxes imposed on the purchase of vintage aircraft, and furthermore that the Governor sign the measure into law. Copies of this resolution are forwarded to the Chair, House Committee on Finance and Taxation and Governor, State of North Dakota.

Passed 6 March 2005



Representing the Board of Directors
Fargo Air Museum

SB-2392

House Finance and Taxation Committee

Rep. Wesley R. Belter, Chairman

Fort Totten Room

March 10, 2005

Written testimony of Gary R. Ness, Director, ND Aeronautics Commission.

Mr. Chairman, I can not attend this hearing because of the conflict with the Upper Midwest Aviation Symposium being held in Fargo. The Symposium is the annual aviation gathering of all the industry.

Senator Syverson has offered to read this statement.

The Aeronautics Commission would like to convey to this committee that the Commission supports SB-2392.

Over the last several years two air museums, the Dakota Territory Air Museum at Minot and the Fargo Air Museum, have done a very fine job in the display of aviation history across the Midwest and the state in particular.

The premise of this bill is to entice aircraft for display purposes with an excise tax break and the Aeronautics Commission is in favor of the action. This action will give the opportunity for people that want to purchase older aircraft as identified to participate in a very important action related to aviation history and preservation of the history of flight.

The fiscal affect to the agency is hard to predict but I can not say that it would be negative in any way. With this type of legislation I can only see a positive side of the ledger.

I thank you this opportunity to address the Committee.

This is to express my support for Senate Bill 2392 relating to a reduction in the aircraft excise tax rate for vintage aircraft. The display of this type of aircraft in the states museums and at its air shows increases the knowledge of the development of aviation and encourages the youth to consider aviation as a career. North Dakota has a rich history of aviation and that history should be passed on through the generations. This committee and the House as a whole should accept any measure that will encourage the exhibition of vintage aircraft, in my opinion. I ask your favorable consideration of SB 2392.

Alexander Macdonald