

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1210

2007 HOUSE FINANCE AND TAXATION

HB 1210

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1210 A

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 15, 2007

Recorder Job Number: 1054

Committee Clerk Signature

Mickie Schmidt

Minutes:

Vice Chairman Drovdal opened the hearing on HB1210. and asked if there was testimony in support of HB 1210.

Chairman Belter: Is there any testimony in support of HB 1210?

Rep. Kenton Onstad: (See attachment #1) in support.

Dana Bohn, Lobbyist for the Economic Development Association of North Dakota: In support. In line 20 it says the project has to be certified by the Department of Commerce. We like that.

Vice Chairman Drovdal: Are there other incentives out there that we have passed to encourage the tax payer whether they're individuals or corporations to invest in the community endowment? I was thinking there was some other tax breaks.

Dana Bohn: Don't know, should ask the Tax Department.

Carroll Gjovik, Director of Dunn County Jobs Development Association: In support. Our home town bank has to either expand or sell off to the larger conglomerates because of the necessity to keep the deposits large enough. Our Union Bank in Halliday has had to expand to Beulah and Hazen in order to keep their business viable. Halliday has buried too many of its original investors and the money has gone elsewhere. There's a need to create this

endowment so that the wealth can remain in our communities, and help sustain the non profits that make a difference in the quality of life that we have. Killdeer has a swimming pool, a golf course, non profit daycare, and we're in the process of trying to put together money to build a High Plains Cultural Center that will attract people to come in and stay and make Dunn County their home. This endowment will work for us to help provide needed additional funding for these different entities. The money stays in our communities and it circulates. Therefore we will be able to continue to have viable home towns which we can call home and stay.

Chairman Belter: Is there further testimony in support? Any in opposition? Tax Department, I think we have some questions for you.

Vice Chairman Drovdal: Do we have other credits out there to encourage investment in the endowment fund and would you define endowment fund?

Donnita Wald, Attorney for the Tax Commissioners Office: There are no other incentive programs that target this kind of activity. I have no idea what endowments specifically are. It appears to me that the fund is that they're trying to target is defined on page 2, lines 1-11. I don't think there's a specific definition for an endowment fund.

Representative Froseth: Most churches have an endowment fund of some sort. Are our contributions to an endowment fund to a church tax deductible on the State or Federal level?

Donnita Wald: Yes, contributions for a religious organization are tax deductible at the Federal level. Because North Dakota piggybacks, in other words our starting point for ND income tax is federal taxable income. We automatically recognize that deduction.

Chairman Belter: Would these be tax deductible?

Donnita Wald: I'm not aware of any tax deduction at the federal level that specifically applies to this kind of activity if possible and we can find that out.

Rep. Kenton Onstad: It's my understanding that there's no federal on this particular thing and the definition of endowment, it really becomes a permanent fund.

Chairman Belter: What I'm looking for is the cap. On line 12 and 13, it says it may not exceed five and seven tenths percent of the tax before credits allowed under this section. Is that our top rate?

Donnita Wald: That particular section of the Bill is the tax credit for the financial institutions tax and if you recall 5/7 of that goes to the Counties and 2/7 of that tax goes to the State, quoted saying you can't take that against the 5/7 of that portion of that tax. So those locals aren't going to be hit by this tax credit. Most of the tax credits that you've enacted in the past few years have always made sure that those credits are taken only against the State portion of that tax.

Chairman Belter: Any questions? Any other testimony in opposition of HB 1210? Is there any neutral testimony? If not, we will close the hearing on HB1210.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1210 B

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 15, 2007

Recorder Job Number: 1113 00mon 26sec

Committee Clerk Signature

Mickie Schmidt

Minutes: Committee Work

Chairman Belter: Open the meeting on HB1210. Myles Vosberg is here to answer any questions you may have. Are there any questions for Myles on any other legislation we have sitting out here yet? Myles, I think you were preparing amendments on that special event Bill?

Myles Vosberg, Director of Tax Administration for the office of State Tax Commissioner:

Yes, we've got that finished.

Chairman Belter: Ok. Any other questions? We will close the meeting on HB 1210.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1210 C

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 15, 2007

Recorder Job Number: 1117 06min 27sec

Committee Clerk Signature

Micki Schmidt

Minutes:

Chairman Belter: I'll call the committee back to order. We'll open the hearing on HB 1210. Are there any questions or what are the committee's wishes?

Representative Grande: I'm curious to know some of these community endowment funds, if there are any in the system right now. Have they gone through the profits of trying to be in 50123 or are they? Just to know what kind of qualifications we're looking at, because that would determine a lot of the fiscal note of the Bill and give room for direction.

Chairman Belter: Kyle, do you want to check with the Tax Department? Obviously, they don't have any information on this or they would come up with a fiscal note. Check to see if there are some 503's. With 503's, do they have to file with the Secretary of State?

Representative Headland: The Bill is very well meaning and important but; I don't know that I could support a Bill that I have absolutely no idea of what the fiscal cost is going to be for the taxpayer.

Representative Pinkerton: The larger communities are not allowed to use their sales tax to decrease their school finances. Most of these communities that are under \$5,000 probably have very limited ability to use sales tax to draw economic development. Maybe there needs to be some sort of effort made to bring money back into these small communities if we wish them

to survive. Obviously they're not going to be able to do it through the sales tax. There needs to be some equity.

Chairman Belter: Any other questions? We'll hold #1210. This will complete our committee work for today.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1210 B

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1593

Committee Clerk Signature <i>Mickie Schmidt</i>

Minutes:

Chairman Belter opened the hearing on HB 1210. What are your wishes on HB1210?

Representative Grande: I move a Do Not Pass.

Representative Headland: Second it.

Chairman Belter: Is there any discussion? Will the clerk read the roll for a Do Not Pass on HB 1210? 9-y, 5-n, 0-absent; Rep. Froseth carries HB 1210. The hearing was closed on HB 1210.

FISCAL NOTE
Requested by Legislative Council
01/10/2007

Bill/Resolution No.: HB 1210

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 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.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1210 provides a tax credit for financial institutions, corporations and individuals equal to twenty percent of contributions to certified community endowment funds.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

It is not known how many certified community endowment funds might be established, nor the contributions that will be made by taxpayers that would qualify for the tax credit. The fiscal impact of this bill cannot be determined.

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/12/2007

Date: 1-22-07
Roll Call Vote #: 1210

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Not Pass

Motion Made By Rep. Grande Seconded By Rep. Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich		✓
Vice Chairman Drovdal	✓		Rep. Kelsh		✓
Rep. Brandenburg	✓		Rep. Pinkerton		✓
Rep. Froseth	✓		Rep. Schmidt		✓
Rep. Grande	✓		Rep. Vig		✓
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham	✓				

Total (Yes) 9 No 5

Absent 0

Floor Assignment Rep. Froseth

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

REPORT OF STANDING COMMITTEE

HB 1210: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1210 was placed on the Eleventh order on the calendar.

2007 TESTIMONY

HB 1210

#1

Testimony for HB 1210

Chairman Belter and members of the Finance and Tax Committee. I am Representative Kenton Onstad, District 4.

HB 1210 maybe considered part of a Rural Initiative to provide incentives to invest back in rural North Dakota. HB 1210 is the result of a program called "Home Town Competitiveness." District 4 has 18 communities with the largest maintaining a population of 1500 people. A very good reason to sponsor and hope for passage for HB 1210.

HB 1210 basically allows a community under 5000 to establish a Community Endowment Fund and provide the investor, an individual or company, a 20% state tax credit.

Money earned from this fund can be used to enhance quality of life in the community. Community projects that would add value to your community. A walking path, park improvements museum restoration and others could be examples of projects. Those amenities will attract and keep families in your community. Provide the necessary items to attract a company to start a small business. They will look at your community as progressive.

Small towns have limited capacity to provide funding for projects of this nature. Economic Development programs usually have requirements for job creation and therefore limit the possibilities for a smaller community.

In other rural states similar to ours, Like Nebraska and Oklahoma have created and allowed incentives for the development of Community Endowment Funds. Contributions to these rural Community Endowments have pass \$27 million dollars. Over 50% of the contributions are \$100 or less.

Mr. Chairman and members of the committee, Thank you for your consideration and I hope you can give it a Do Pass on HB 1210.