

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1245

2007 HOUSE FINANCE AND TAXATION

HB 1245

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1245 A

## House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 30, 2007

Recorder Job Number: 2225

Committee Clerk Signature

*Mickie Schmidt*

Minutes:

Chairman Belter called the committee to order and had the clerk take the roll. Everyone was present except Rep. Grande. The Chairman opened the hearing on HB1245. He asked for testimony in support.

**Rep. Don Vigesaa: (See attachment #1)**

**Chairman Belter:** You made the comment that some States do what you're proposing here. Do you know how many of the States?

**Rep. Don Vigesaa:** I do not have a total of the States. I have a partial list of at least 10-15 States that do not.

**Representative Kelsh:** Is it possible for you or the auto manufacturer to offer a temporary lower price, would that change the way that it's taxed?

**Rep. Don Vigesaa:** If a dealer offers a discount. The customer pays on the negotiated discount. There are incentives that go beyond that price, they are deducted from what you paid, but he has to pay tax on that. So the incentives that we are talking about are deducted from the negotiated discounted price by the dealer.

**Representative Froseth:** I purchased a new vehicle and at that time I think they treated them as a rebate and discount as part of my down payment towards the purchase price. In treating it in that manner, it had to be subject to sales tax.

**Rep. Don Vigesaa:** Yes and that's how we handle it today, that a cash incentive can be included as part of the down payment. That just reduces the amount.

**Representative Pinkerton:** Do you know if there are other industries that have the similar kind of thing?

**Rep. Don Vigesaa:** I do not know how the other industries handle this type of situation.

**Representative Owens:** Did you say in your testimony that you can no longer as the purchaser be paid this rebate directly?

**Rep. Don Vigesaa:** Yes.

**Representative Owens:** So is this a change, because you used to be able to get that and most people just applied it, in the business application from the manufacturer to the dealers that they've altered this?

**Rep. Don Vigesaa:** Yes.

**Representative Owens:** The reason I'm asking this is your change says the purchase price excluding the amount of manufactures rebate paid. And then it goes on to say or payable to the purchaser. So what you're telling me is that the current system is the last part of that is not even possible right now. But if it is paid to them, it's like we should continue to charge it to Fargo's sales tax because they're literally putting it on the car, they're just giving money back but if that's not possible well then they're never seeing the money and it's actually reducing the price of the car.

**Rep. Don Vigesaa:** The amendments that I offered have changed that language. The amendment changes that verbiage of rebate paid and changes it to incentive or discount that reduces the total cost of a motor vehicle to the purchaser. That's in effect what it does.

**Chairman Belter:** Will this amendment change the fiscal note at all?

**Rep. Don Vigesaa:** As far I would know it would not change the fiscal note.

**Representative Headland:** You mentioned that there are several States that are doing this, are there several that aren't?

**Rep. Don Vigesaa:** I have a partial list of the States that do not charge on the rebate. And I might add that there are some States that do not charge any sales or excise tax on vehicles at all and they aren't included in my list.

**Representative Froseth:** I have a credit card that gives me 5% on my purchases, how is that handled, is that also exempt under this Bill?

**Rep. Don Vigesaa:** Unfortunately Chrysler has not had that program. We've never had to deal with that unfortunately because it's a pretty nice program. I can not answer that question.

**Representative Schmidt:** As you as a dealer, can you refuse those incentives? Do you have a choice?

**Rep. Don Vigesaa:** No, we don't. They have to be deducted from the price of the vehicle. I'd like to mention why this is problematic sometimes for a customer. One of the incentives I mentioned in my testimony is called Dealer Cash. At the end of a model year, sometimes, in lieu of an incentive, at the end of a long year when the period end for that particular incentive, there is probably a carry over, then the manufacturer converts the cash allowance to what they call dealer cash. That payment goes directly to the dealer and then he can use that discount in any way that he would like to move that particular vehicle. But the practice generally is that we will give that dealer cash payment directly passes it through to the customer so again it

reduces the purchase price of the vehicle. So conceivably I could have 2 vehicles sitting on my lot, one has what is called a consumer cash allowance and the other could be incentives with this here cash payment, they could be exactly the same amounts on the dealer cash payment that will reduce the top price as a discount to the dealer and on the other one it's supposed to come out after the negotiated price right after the tax is paid.

**Chairman Belter:** Is there further testimony in support of HB1245? Is there any opposition? Is there any neutral testimony? If not we will close the hearing on HB 1245.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1245 B

## House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: 2379

Committee Clerk Signature

*Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1245 and said he would entertain a motion.

**Vice Chairman Drovda:** Is there amendments on this? I don't know where they came from but they're just a short amendment.

**Representative Froseth:** I asked the question; I have a credit card and I get 5% of the purchases I charge to my credit card, is it towards the purchase of a new vehicle? I've used that a couple of times and built the credits up to about \$2000 on it. And that allowance is given as an incentive to buy a new vehicle. With the amendment it would make this amount that the manufacturers incentive or discounts. So would that \$2000 credit I used then be also subject to this Bill? It wasn't really answered; I don't think anybody had a definite answer.

**Vice Chairman Drovda:** I had also used that several times. The difference is that the rebate, discount he's talking about is one that's manufactured and advertised to everybody at the beginning and the credit that comes on a credit card is you negotiate the price down and come to terms with the salesman. And when you've done that and come to a final price that you agreed on, then that's taken off just like a payment. And so it's after the sales price is established that that credit comes on. But the way the Bill reads it appears that that is included too. I don't think it should be.

**Representative Headland:** If we pass the Bill it doesn't make any difference but I think it's a good Bill and I think we should pass it.

**Representative Headland:** I'll move the amendments.

**Representative Owens:** Second it.

**Chairman Belter:** Is there any discussion? All those in favor of the proposed amendments signify by saying aye. **The motion carries.** I would entertain a motion.

**Representative Pinkerton:** I move a Do Pass as Amended and Rerefered to Appropriations.

**Representative Headland:** Second it.

**Chairman Belter:** Any discussion?

**Representative Froseth:** I hear more comments from people that regret paying a sales tax on a used vehicle because that used vehicle was once a new vehicle and sales tax was paid on that full purchase price of that new vehicle. Then it's traded, somebody buys it, they pay sales tax on it again. And that one individual unit can collect probably if it's a \$30,000 to start off with and sells for \$15,000 the second time, that \$45,000 and so on. So it will be collecting taxes of \$60,000 for the one vehicle.

**Representative Wrangham:** I don't understand the whole philosophy of this. If they're going to sell something for \$40,000 and it's obviously worth \$40,000 but they say it's worth \$50,000 and then they give you \$10,000 back. I'm wondering if the manufacturers aren't using that as some kind of a tax shelter as the reason they do it in the first place. I'm not going to support the Bill because I think there are other inequities and more excise tax that are far greater than this one.

**Representative Owens:** Rep. Wrangham made half of my point. The other point is the fiscal note. It's full of averages and probabilities and quite frankly they're talking about an average



incentive of \$2469 per vehicle, when I know a lot of them are only \$500 and not every vehicle that was sold in the state even qualifies and they're doing it based on the total number of vehicles per year. Their system is rather inflated.

**Representative Weiler:** I'm going to oppose this based on what I believe. We're talking about the purchase of new vehicles and the only people that can afford new vehicles are the rich ones and we don't need to give the rich people another tax break.

**Representative Schmidt:** I think we're opening the door here. There are a lot of things that give rebates. I oppose it on that basis.

**Representative Froelich:** He's right, there's no rebate system now.

**Representative Pinkerton:** We just bought a new vehicle and it didn't have a rebate on it. It's all ages out there buying new cars and they're being taxed on something that's not existence.

**Chairman Belter:** Any other discussion? Will the clerk read the roll as a **Do Pass as Amended and Rerefered to Appropriations; 4-y; 8-n; 3-absent; the motion fails.**

**Representative Weiler:** I'll make a motion for a **Do Not Pass as Amended.**

**Representative Owens:** **Second it.**

**Chairman Belter:** Is there any discussion? If not will the clerk read the roll; **8-y; 4-n; 2-absent; Rep. Froseth will carry the Bill.**

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/06/2007

Amendment to: HB 1245

**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			(\$6,895,021)		(\$7,124,344)	
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).*

This bill, as amended, essentially reduces the purchase price of vehicles by a dealer offered rebate amount prior to taxing the cost of the vehicle. No impact on Motor Vehicle Division. Vehicles affected CY 2006 – 33,638. Approximate excise tax revenue loss would be \$6,895,021 next biennium.

**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.*

Per Tax Department: According to Edmunds.com, a leading resource for automotive information, the average manufacturer's financial incentives per vehicle in 2006 was \$2469. This number includes interest rate subsidies, rebates and lease program incentives. Based on sale of 33,638 new vehicles purchased last year, rebates probably average between \$1800 - \$2100 per vehicle. In North Dakota, more light trucks are purchased per capita than the national average, so the number would be on the higher end. Our estimate, using \$2000 per vehicle X 33,638 = \$67,276,000 X 5% = \$3,363,800 tax per year or about \$6,727,600 per 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.*

Per Motor Vehicle Division: In addition, our registration growth rate is 1.65%; figuring growth at 1.65% from 2006 numbers yields \$6,895,021 average for the 2007 biennium and \$7,124,344 for the 2009 biennium.

**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.*

<b>Name:</b>	Lorrie Pavlicek	<b>Agency:</b>	NDDOT
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Phone Number: 328-2725

Date Prepared: 02/07/2007

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/10/2007

Bill/Resolution No.: HB 1245

**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			(\$6,895,021)		(\$7,124,344)	
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).*

This bill essentially reduces the purchase price of vehicles by a dealer offered rebate amount prior to taxing the cost of the vehicle. No impact on Motor Vehicle Division. Vehicles affected CY 2006 – 33,638. Approximate excise tax revenue loss would be \$6,895,021 next biennium.

**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.*

Per Tax Department: According to Edmunds.com, a leading resource for automotive information, the average manufacturer's financial incentives per vehicle in 2006 was \$2469. This number includes interest rate subsidies, rebates and lease program incentives. Based on sale of 33,638 new vehicles purchased last year, rebates probably average between \$1800 - \$2100 per vehicle. In North Dakota, more light trucks are purchased per capita than the national average, so the number would be on the higher end. Our estimate, using \$2000 per vehicle X 33,638 = \$67,276,000 X 5% = \$3,363,800 tax per year or about \$6,727,600 per biennium.

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**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.*

<b>Name:</b>	Lorrie Pavlicek	<b>Agency:</b>	NDDOT
<b>Phone Number:</b>	328-2725	<b>Date Prepared:</b>	01/13/2007

## PROPOSED AMENDMENTS TO HOUSE BILL 1245

Page 1, line 2, replace "rebates" with "incentives or discounts"

Page 1, line 9, replace "rebate paid or payable to the" with "incentive or discount that reduces the total cost of a motor vehicle to a"

Renumber accordingly

70491.0101  
Title.0200

Adopted by the Finance and Taxation  
Committee

January 31, 2007

**House Amendments to HB 1245 (70491.0101) - Finance and Taxation Committee**  
**02/01/2007**

Page 1, line 2, replace "rebates" with "incentives or discounts"

Page 1, line 9, replace "rebate paid or payable to the" with "incentive or discount that reduces the total cost of a motor vehicle to a"

Renumber accordingly

Date: 1-31-07  
Roll Call Vote #: 1245 #1

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 Pass As Amended and Rereferred to Approps.

Motion Made  
By \_\_\_\_\_

Seconded By \_\_\_\_\_

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) 4 No 8

Absent 3

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

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

Failed



Date: 1-31-07  
Roll Call Vote #: 1245 #2

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 AS Amended ~~Referred to Appropriations~~

Motion Made  
By

Rep. Weiler

Seconded By

Rep. Owens

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) 8 No 4

Absent 2

Floor  
Assignment

Rep. Froseth

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

**REPORT OF STANDING COMMITTEE**

**HB 1245: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (8 YEAS, 4 NAYS, 2 ABSENT AND NOT VOTING). HB 1245 was placed on the Sixth order on the calendar.**

Page 1, line 2, replace "rebates" with "incentives or discounts"

Page 1, line 9, replace "rebate paid or payable to the" with "incentive or discount that reduces the total cost of a motor vehicle to a"

Renumber accordingly

2007 SENATE FINANCE AND TAXATION

HB 1245

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1245**

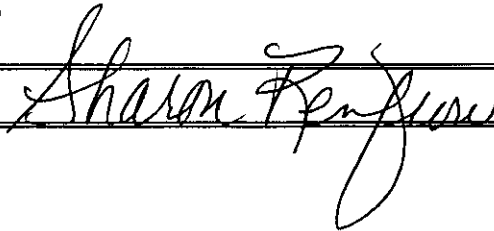
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 21, 2007

Recorder Job Number: # 3558

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee to order and opened the hearing on HB 1245.

**Rep. Vigesaa**: Prime sponsor of the bill appeared in support with written testimony and stated he felt the FN was inflated a little. (See attached)

**Sen. Cook**: How does this affect if you have credit points built up in a credit card?

**Answer:** handled exactly the same way, the GM dealer will call into the company or the credit card company to find out how many dollars they have amassed as far as credit, they apply it the same way they do other incentives.

**Sen. Cook**: this bill then will reduce the sales tax on that amount of money?

**Answer:** Yes it would, it would reduce the purchase price by that amount

**Sen. Oehlke**: the FN mentions the incentive number includes interest rates subsidies, rebates and of course program incentives, but what we're really talking about is the rebates, is that correct?

**Answer:** that's correct

**Sen. Oehlke**: so this FN is based on the sale of all new vehicles purchased last year almost 34,000 vehicles. If we were going to take an accurate reflection then of those that maybe took a rebate vs. the low interest purchase price, what's a more realistic number?

**Answer:** it's kind of hard to determine. In our dealership in 2006, we sold vehicles that had incentives that totaled over \$300,000 times 5%, in my estimation my customers paid \$15,000 too much in excise tax.

**Lorrie Pavliceck:** Motor Vehicle Director for the NDDOT appeared neutral on the bill and to answer any questions.

**Sen. Urlacher:** seems to be some question whether it's high or not.

**Answer:** we did base the FN on numbers that we worked and consulted with the Tax Dept. on. It is difficult to estimate it because we do not know in the Dept. of Transportation how many people out there are taking advantage or potentially may take advantage of manufacturer incentives and so what we can do is provide you hard numbers based on the number of vehicles projected and an average rebates that we used a best source that we could determine in order to calculate the potential in tax.

**Sen. Urlacher:** has there been additional information since this has been drafted to change that?

**Answer:** we have not heard, but there is probably that 40%.

**Sen. Tollefson:** supposing this bill was passed those incentives would then become what? Part of your income? Would you declare that as part of your income on your tax statement?

**Answer:** that part I cannot answer. From a taxing standpoint from the vehicle as was mentioned that amount would be removed from the purchase price and tax would be calculated on the balance.

**Sen. Tollefson:** if you got a cash back incentive, say \$5,000, to me that would be a taxable item on your income tax statement.

**Answer:** I can't answer.

**Miles Vosberg**: the incentive is paid by the manufacturer to the dealer so that would still be revenue and still included in the dealerships calculation of taxable income which is not really what this is about. But would still be included in revenue or income for the dealership. Its just that this particular bill it would reduce the taxable price of the vehicle to the customer.

**Sen. Tollefson**: how these incentive dollars would be addressed, it would be addressed as income to the dealership then, is that correct?

**Answer**: this bill would have no impact on the taxable income of the dealership.

**Sen. Tollefson**: somebody will have to pay tax on that incentive, will they not?

**Answer**: the motor vehicle tax that's paid at the time of the vehicle, no one will any longer pay and that's what the FN reflects the loss of revenue because the customer would no longer pay tax on that incentive.

**Sen. Tollefson**: if I had a \$5,000 cash rebate, how would that be handled? Would I handle that as part of an income on my tax statement?

**Answer**: if you personally purchased a vehicle and that \$5,000 rebate is not part of your income because it's a deductible expense in the first place for you, all it does is reduce your cost to the vehicle.

**Sen. Triplett**: its true that these bonuses are really just a sales gimmick, is that right? They artificially inflate the price and turn around that they are giving you something back so it feels like you're getting a deal and the truth of it is, in the end they are just setting a price.

**Miles Vosberg**: I'd like to clarify I did not say that but it certainly is an incentive.

**Sen. Triplett**: why we've been taxing that rebate stuff anyway, why is this bill even necessary because if your clear that it's a reduction in the real price than you understand that in the end if there's a particular price paid and it's the stated price less the rebate then why have we been doing this already?

**Answer:** it's because the dealer still gets paid the full amount.

**Sen. Triplett:** isn't the excise tax against the purchaser?

**Answer:** the excise tax is paid on the gross proceeds of the sale of the transaction.

**Sen. Cook:** you get a \$50 coupon for a computer, what price do you pay sales tax on?

**Answer:** if it's a rebate provided by the manufacturer, the seller gets the full payment, it's paid on the full purchase price. If it's a discount just issued by the seller, then it's on the net price.

**Sen. Cook:** is there some way that you can change this section of code to require the dealer that's issuing the rebate to pay the excise tax on the part of the rebate?

**Answer:** I suppose anything's possible

**Rep. Vigasaa:** I don't think Chrysler would appreciate getting a 5% charge back to them for that rebate. I guess the legislation that I proposed was that the purchase, the consumer should pay the amount of tax on what they write the check for.

**Sen. Triplett:** can you answer my gimmick question.

**Rep. Vigasaa:** I wouldn't really know for sure how these manufacturers structure their pricing because that's strictly a manufacturer's incentive; it has nothing to do with the dealership. They generally use those rebates to move product.

Closed the hearing.

**Sen. Horne:** this only applies to new car purchases and the reason it doesn't apply to used car purchases is that they don't usually get a rebate, is that the reason?

**Sen. Cook:** the dealership is the seller gives you a rebate it's just a discount.

**Sen. Anderson:** this does say manufacturer's incentive.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1245**

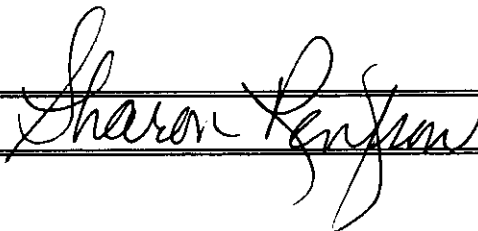
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: March 6, 2007

Recorder Job Number: # 4475

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee or order for action on HB 1245.

**Sen. Tollefson** made a Motion for DO NOT PASS, seconded by Sen. Oehlke.

Any discussion? If not, call the roll.

Roll call vote: 6-0-1

Sen. Tollefson will carry the bill.



Date: 3-6-07Roll Call Vote #: 1

**2007 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. HB 1245**

Senate Finance & Tax Committee☐ Check here for Conference Committee

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

Action Taken DO NOT PASSMotion Made By Sen. Tollefson Seconded By Sen. Oehlke

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Anderson	✓	
Sen. Tollefson	✓		Sen. Horne	✓	
Sen. Cook			Sen. Triplett	✓	
Sen. Oehlke	✓				

Total (Yes) 6 No 0Absent 1Floor Assignment Senator Tollefson

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

**REPORT OF STANDING COMMITTEE (410)**  
March 6, 2007 3:48 p.m.

**Module No: SR-42-4579**  
**Carrier: Oehlke**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1245, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman)**  
recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).  
Engrossed HB 1245 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

HB 1245

HB 1245 A

#1 1-30-07  
am

Mr. Chairman and members of the House Finance and Tax Committee, I am Rep. Don Vigesaa, representing District 23. District 23 includes all of Griggs and Nelson counties and parts of Steele, Benson and Eddy counties and the Spirit Lake Nation. It is my pleasure to introduce HB1245.

HB1245 will exclude manufacturer's incentives or discounts when determining the purchase price of a motor vehicle. I am offering an amendment to replace "rebate" with "incentives or discounts". These terms more adequately define the reduction in purchase price because the purchaser can no longer receive a rebate back from the manufacturer in lieu of having the amount of the incentive subtracted from the price. These incentives are now termed cash allowances, bonus cash, dealer cash, certificates, etc. All of these are subtracted before arriving at the price the purchaser pays for the motor vehicle.

My occupation is an automobile dealer in Cooperstown, ND. Nearly every time our dealership sells a new motor vehicle, the customer does not understand why they must pay excise tax on the purchase amount before the incentives are deducted. When a customer negotiates a purchase price of \$30,000.00 less a \$5000.00 manufacturer's incentive, the customer pays \$25,000.00 for the vehicle but must pay excise tax on \$30,000.00. Currently, incentives can approach \$10,000.00 on some models so the extra tax liability the individual must pay on the incentive amount is substantial. Many other states do not tax these incentives.

Mr. Chairman and committee members, I realize the financial impact of HB1245 is sizeable. However, I believe it is fundamentally wrong for the state of North Dakota to collect excise tax on these incentives when they truly should not be included as part of the purchase price.

I respectfully ask for a DO PASS recommendation on HB1245. Mr. Chairman, I would be happy to answer any questions the committee may have.

Mr. Chairman and members of the Senate Finance and Tax Committee, I am Rep. Don Vigesaa, representing District 23. District 23 includes all of Griggs and Nelson counties and parts of Steele, Benson and Eddy counties and the Spirit Lake Nation. It is my pleasure to introduce HB1245.

HB1245 will exclude manufacturer's incentives or discounts when determining the purchase price of a motor vehicle. The purchaser can no longer receive a cash rebate back from the manufacturer in lieu of having the amount of the incentive subtracted from the price. These incentives are now termed cash allowances, bonus cash, dealer cash, certificates, etc. All of these are subtracted before arriving at the price the purchaser pays for the motor vehicle.

My occupation is an automobile dealer in Cooperstown, ND. Nearly every time our dealership sells a new motor vehicle, the customer does not understand why they must pay excise tax on the purchase amount before the incentives are deducted. When a customer negotiates a purchase price of \$30,000.00 less a \$5000.00 manufacturer's incentive, the customer pays \$25,000.00 for the vehicle but must pay excise tax on \$30,000.00. Currently, incentives can approach \$10,000.00 on some models so the extra tax liability the individual must pay on the incentive amount is substantial. Many other states do not tax these incentives.

Mr. Chairman and committee members, I realize the financial impact of HB1245 is sizeable. However, I believe it is fundamentally wrong for the

state of North Dakota to collect excise tax on these incentives when they truly should not be included as part of the purchase price.

I respectfully ask for a DO PASS recommendation on HB1245. Mr. Chairman, I would be happy to answer any questions the committee may have.