

2009 HOUSE FINANCE AND TAXATION

HB 1289

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1289

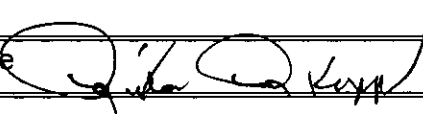
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 20, 2009

Recorder Job Number: 7283

Committee Clerk Signature



Minutes:

Chairman Belter: We will open the hearing on HB 1289.

Rick Anderson, Chairman, North Dakota Irrigation Association: I am irrigator and a farmer in District 8. (Testimony 1).

Chairman Belter: Any further testimony on HB 1289? Any opposition to 1289? Any neutral testimony on HB 1289? Myles, I am just wondering about the background of this issue. Why was irrigation equipment never considered part of farm parts?

Myles Vosburg, Tax Commissioner's Office: I don't know that I can answer why. As you know, new farm machinery and new irrigation equipment are taxed at 3%. The used parts, in both cases, are exempt. Parts for farm machinery are exempt and parts for irrigation equipment has always been taxed at 5%. I do not know why it was excluded originally. There has just never been, I guess, any effort to change it. I think the areas Mr. Anderson covered pretty much explain it.

Chairman Belter: Any other questions from committee members? Any other testimony on HB 1289? If not, we will close the hearing on HB 1289.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1289**

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 20, 2009

Recorder Job Number: 7339

Committee Clerk Signature

Minutes:

Vice Chairman Drovdal: Does anyone wish to seek any further information on HB 1289?

This is Representative DeKrey's bill on irrigation parts exempting irrigation repair parts from taxes.

Representative Brandenburg: How did this get left out when they changed the bill?

Representative Wrangham: This is for irrigation repair parts? Replacement parts? Currently for a farm tractor, what is the sales tax on repair parts?

Vice Chairman Drovdal: Zero.

Representative Froelich: I beg to differ. If I go to John Deere and buy a new spindle, I have to pay sales tax on that part.

Vice Chairman Drovdal: Joe, can you answer that question?

Joe Becker, Tax Department: That I cannot address. Do you want me to have someone else come down?

Representative Brandenburg: Parts are exempt from sales tax.

Representative Froelich: I have to check that out.

Representative Brandenburg: Home rule has the authority to define this.

Vice Chairman Drovdal: Does the committee want someone else from the Tax Department come down?

(A general discussion followed on whether or not parts were exempt.)

Representative Wrangham : I believe if my memory serves me correctly that it does apply to parts for agriculture. I think parts were reclassified as a gross receipts tax so that it wouldn't have to be the same to comply with the streamline rules. It would be very helpful if we could get some clarification. (Inaudible.)

Vice Chairman Drovdal: So I guess farm machinery is exempt.

Representative Froseth: I guess my question is under used farm machinery and farm machinery repair parts for agricultural use, why isn't irrigation equipment considered agricultural equipment? Isn't there a definition of that?

Representative Headland: Mr. Chairman, used farm machinery, used irrigation equipment and new and used farm machinery repair parts are exempt. New farm machinery is taxed at 3% gross receipts; new irrigation equipment is taxed at the 3%. I believe this was just an oversight back in 2001 when the parts exemption was passed.

(A discussion followed on sale tax Representative Froelich had to pay for a new tractor spindle and how he was charged sales tax because accountant had messed up.)

Representative Wrangham: I assume you are referring to the red book when you are giving these answers. Could you give me a reference please?

Representative Headland: Page 98; 97 is where the exemption starts.

Vice Chairman Drovdal: Any other comments on 1289?

Representative Schmidt: I don't think we need this bill. I don't see how they got misunderstood. Irrigation parts are not taxed under that book.

Representative Brandenburg: I think that since used farm machinery and used irrigation are not mentioned, they are the same.

Representative Schmidt: We shouldn't have to do this. Mr. Anderson mentioned that. There's some misunderstanding.

Vice Chairman Drovdal: Any more discussion on 1289? If not, we will move on the HB1297.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1289

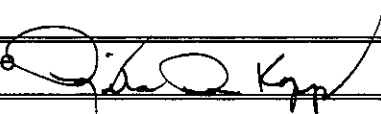
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 26, 2009

Recorder Job Number: 7780

Committee Clerk Signature



Minutes:

Chairman Belter: Committee, what are your wishes on this bill?

Vice Chairman Drovdal: Is that the one for sales tax and repair parts. I move a "do pass".

Representative Brandenburg: Second.

Chairman Belter: Any discussion.

Representative Wrangham: Did we discover whether or not a spindle for a John Deere tractor was taxed?

Chairman Belter: A spindle is a part and would not be taxed. I think this was an oversight and I suspect that some were charging it and some were not. My understanding was that this got picked up on an audit. Any other discussion?

A roll call vote was taken resulting in 12 ayes, 1 nay, 0 absent/not voting and rerefer to appropriations. Representative Brandenburg will carry.

FISCAL NOTE
Requested by Legislative Council
01/13/2009

Bill/Resolution No.: HB 1289

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$276,000)	(\$24,000)		
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 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 1289 creates a sales, use, and gross receipts tax exemption for irrigation equipment repair parts.

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.*

If enacted, HB 1289 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$300,000 during the 2009-11 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, 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:	01/19/2009

Date: January 26, 2009
 Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1289

House FINANCE AND TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Drovdal Seconded By Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich	/	
Vice Chairman David Drovdal	/		Representative Kelsh	/	
Representative Brandenburg	/		Representative Pinkerton	/	
Representative Froseth	/		Representative Schmidt	/	
Representative Grande		/	Representative Winrich	/	
Representative Headland	/				
Representative Weiler	//				
Representative Wrangham	//				

Total (Yes) 12 No 1

Absent 0

Floor Assignment Brandenburg

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

Returned to Appropriations

REPORT OF STANDING COMMITTEE

HB 1289: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (12 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1289 was rereferred to the Appropriations Committee.

2009 HOUSE APPROPRIATIONS

HB 1289

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1289

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 5, 2009

Recorder Job Number: 8845

Committee Clerk Signature *Carmen Hart*

Minutes:

Rep. Wes Belter, District 22 approached the podium to explain HB 1289. It includes irrigation equipment repair parts. It puts them under the same exemption as farm equipment parts. Our committee believes this was an oversight on the part of the Tax Department.

Chm. Svedjan: The effective date is after June 30, 2009? Is the fiscal note still current? It would be \$276,000 effect on the general fund?

Rep. Belter: Yes to all questions.

Rep. Kreidt made a Do Pass motion. Rep. Kerzman seconded the motion.

DO PASS. 20 YEAS, 2 NAYS, 3 ABSENT AND NOT VOTING. Rep. Brandenburg is the carrier of this bill.

Date: 2-5-09
 Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1289

Full House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Kreidt Seconded By Kerzman

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber	✓	
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim	✓	
Rep. Thoreson	✓		Rep. Kaldor	✓	
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch		✓			
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew	✓	✓	Rep. Kerzman	✓	
Rep. Kreidt	✓		Rep. Metcalf	✓	
Rep. Nelson	✓				
Rep. Wieland	✓				

Total (Yes) 20 No 2

Absent 3

Floor Assignment Kreidt (see bill) Brandenburg

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

REPORT OF STANDING COMMITTEE (410)
February 5, 2009 4:53 p.m.

Module No: HR-23-1851
Carrier: Brandenburg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1289: Appropriations Committee (Rep. Svedjan, Chairman) recommends DO PASS
(20 YEAS, 2 NAYS, 3 ABSENT AND NOT VOTING). HB 1289 was placed on the
Eleventh order on the calendar.

2009 SENATE FINANCE AND TAXATION

HB 1289

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1289

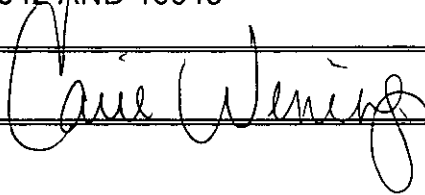
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/03/2009

Recorder Job Number: 10042 AND 10045

Committee Clerk Signature



Minutes:

Chairman Cook: Opened hearing on HB 1289.

Mike Dwyer, Executive Director of the North Dakota Irrigation Association: See

Attachment #1 for testimony in support of the bill.

2.15 Senator Anderson: Are these the only ones that we are going to keep hearing about, or are there others?

Mike Dwyer: In terms of irrigation, there is nothing else to add.

Senator Oehlke: Where I live the water district has been doing an irrigation pilot project, would they be tax exempt? It is a project intended to lower the water levels between irrigating and evaporation.

Mike Dwyer: They wouldn't have to pay if this passes on the irrigation repair parts.

Senator Hogue: Can you speak to the incentives that the purchasers of irrigation equipment get on the federal taxation as far as their individual income tax returns, do they get accelerated depreciation? Can they write that entire amount off?

Mike Dwyer: Irrigation equipment would depreciate the same as a combine and treated the same.

Vice Chairman Miller: What kind of parts are we talking about here?

Mike Dwyer: Nozzles, valves, seals, pipes, etc. I noticed the fiscal note on the bill was \$300,000 per biennium and it was very difficult to identify. There are only about half a dozen irrigation equipment dealers in the state and those are the ones that sell these kinds of things.

Vice Chairman Miller: is there any commonality to any other type of parts like a plumber would use, could it be abused?

Mike Dwyer: The bill says irrigation parts with part numbers. I do not think it could be abused. The part number would be like that for a tractor.

Senator Oehlke: A hog facility has waste and it is transported by pipe and distributed by irrigation, would this apply here?

Mike Dwyer: The part numbers are on these and I do not believe that those would have that or apply. I don't think that it could be considered water; it is fertilization.

Chairman Cook: Any further testimony? (no) I have a quick question for the tax department. Is it a 3% tax rate now?

Myles Vosberg, Tax Department: Right now the new irrigation equipment is at 3%, but the repair parts are at 5% tax.

Chairman Cook: Closed hearing.

(Job 10045 Starts here)

Representative Duane DeKrey, District 14: Came late and testified as sponsor and in support of the bill. We think of this as a technical correction to include irrigation repair parts.

Chairman Cook: When was the bill put in to exempt irrigation?

Representative DeKrey: This session. Agricultural repair parts were back a while ago.

Chairman Cook: I am talking about the irrigation parts?

Representative DeKrey: I do not know.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1289

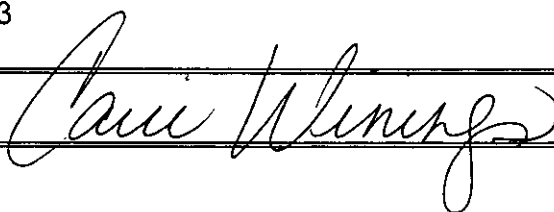
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 03/03/2009

Recorder Job Number: 10083

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened discussion on HB 1289.

Discussion: The committee had a discussion on when the original bill was passed that exempted farm equipment repair parts and thus the irrigations parts were excluded at the time.

The general consensus was that it was an oversight. There was also some discussion on the fiscal note and the fact that the committee generally agreed that the fiscal note was probably high. The fiscal note did exclude tires. Senator Dotzenrod gave several figures to back up the idea that it was over estimated. The committee was reminded that the tax department came up with the numbers by looking at the companies that have the parts and added \$50,000 for the possible parts obtained elsewhere. Senator Miller believed that there were approximately 2000 pivots in the state. Everyone recognized that the fiscal note would stay as is and would not be changed, but to keep that in mind.

Senator Anderson: commented that he was concerned about continuing to un tax things and that pretty soon there would be nothing left.

Chairman Cook: I believe that farm machinery and repair parts came in together. (Discussion on when that occurred – believed to be 1999)

Senator Triplett: Moved a Do Pass.

Senator Dotzenrod: Seconded.

Senator Dotzenrod: Commented on doubting Senator Dotzenrod's figures.

Discussion: A discussion followed on what amount of land the systems cover and whether the figures were accurate.

Chairman Cook: Clarified with Myles Vosberg of the tax department that this would be the irrigation repair parts that are used exclusively for ag property only, and they have to have a specific or generic part number. It is a product and a use exemption.

Senator Triplett: That is one more argument in favor of the things that Senator Dotzenrod said in terms of the fiscal note being off. There are other irrigators in the state that are not ag property. This is not that big of a hit to the budget.

Chairman Cook: The fiscal note says \$250,000 and that is what we are deciding.

Chairman Cook: Any further discussion?

Senator Anderson: Comment.

Senator Hogue: I don't see the harm in taxing these. It really isn't that much of a burden to the consumers. They are good machines and low maintenance.

Chairman Cook: I don't think that this bill is going to have one bit of impact on the number of acres that are irrigated in North Dakota.

Senator Triplett: I think there is some use in have a little bit of consistency inside the code.

A Roll Call vote was taken: Yea 2, Nay 5, Absent 0.

Motion Failed.

Vice Chairman Miller: Moved a Do Not Pass.

Senator Hogue: Seconded.

A Roll Call vote was taken: Yea 5, Nay 2, Absent 0.

Senator Cook will carry the bill.

REPORT OF STANDING COMMITTEE (410)
March 3, 2009 3:57 p.m.

Module No: SR-38-3980
Carrier: Cook
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1289: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1289 was placed on the Fourteenth order on the calendar.

2009 SENATE APPROPRIATIONS

HB 1289

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1289

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 10985

Committee Clerk Signature

Rose Loring

Minutes:

Chairman Holmberg called the committee hearing to order on HB 1289 which relates to irrigation equipment repair parts.

Rick Anderson Chairman, North Dakota Irrigation Association. Testified in favor of HB 1289.

See attachment #1. Asked the senators if they had an issue with the fiscal note.

Chairman Holmberg I can't speak for anyone else but that is the main reason that I voted the way I did. Even if you use a very, very rosy we may or may not have in the bank, we can't spend everything. We have 120 requests for increases in the 2.2B human services budget. We can say yes to some and no to some.

V. Chair Bowman: The offset to loss of revenue in taxable dollars—how much of that is made up in income from those who irrigate land versus those who don't. There is a lot more production and that is economic stimulus that kind of turns our economy. If you have more grain to haul, more corn to irrigate—all which bring revenue indirectly to the state through irrigation. Is there any figure that you know of that says irrigated land produces x amount more in production than non irrigated land?

Anderson I would defer that question to others in the room.

Senator Christmann I am looking at the end of the third paragraph of you testimony (read a portion of it), I am a little put out that before making that statement, the prime sponsor of the

legislation wasn't asked whether that was the intention or not. The fact is that it was discussed at that time in order to keep the cost of that exemption down, it was not easy getting that legislation through, and that was part of compromise. I'm afraid if we keep tacking on, we'll lose the whole thing.

Anderson Those of us here feel that irrigation would bring more in line with the rest of Ag.

V. Chair Grindberg What would the average producer save by having this exemption—\$50, \$500, etc.?

Anderson I don't know, Milt might be able to tell us what an average irrigator is. Some of the folks are relatively small others are larger.

V. Chair Grindberg If you have increased harvests obviously your income is growing. Some of the members of the senate finance and tax committee said that the broadening of crops equals broadening of tax based.

Anderson We do have additional expenses.

Chairman Holmberg Roxanne, do we have a list of farm machinery kinds of things that we are still paying sales tax on? Is irrigation typically the only area still paying the sales tax?

Roxanne Our office has not put together anything on that but perhaps someone from tax can comment on that.

Milton Lindvig North Dakota Irrigation Association. Testified in favor of HB 1289. The question that I heard is; what revenue does irrigation return back? Studies at NDSU indicate that irrigation increases return 4-5 dollars or even 6 dollars in some years compared to every dollar of dry land.

Senator Wardner What do they normally pay out on parts?

Milton Lindvig: It will vary a lot between irrigation systems. It varies between operators. Spoke about parts.

V. Chair Grindberg I would assume that most businesses would want to make a 10% return.

So on dry land acres with 10% return and irrigation takes that times 5 or 6, after expenses equals a net return—that is substantial. Having said that, if that is the typical production for a farmer on an acre of dry land, that would only be a \$200 tax exemption. It seems insignificant over the big picture.

Milton Lindvig: It varies for producers on different years. For example wind storms cause damage.

Senator Kilzer \$300,000 seems a little low for a biennium.

Milton Lindvig: It is a little low but not by a lot. The fiscal note is reasonable.

Miles Vosberg Tax Commissioner's Office. New farm machinery is taxed at 3%, used farm machinery and parts are exempt. The irrigation system is the same except for the parts which are subject to a 5% tax. Seed and feed are exempt from tax. Tires are still subject to sales tax. As far as the fiscal note goes, we came up with the 300,000 dollar number by looking at records from past irrigation. Explained the process.

Senator Krebsbach What are our neighboring states doing in irrigation parts?

Vosberg I'm not sure on that but I can check and get back to you on that.

Mike Dwyer ND Irrigation Association. Testified in favor of HB 1289. The state has treated irrigation and farm equipment the same, but not repair parts. We have had complaints from irrigators over the years about the exemptions for farm parts but not irrigation parts. We proposed this legislation since the legislature treats irrigation and farm equipment as the same to make this consistent.

Senator Krebsbach On new irrigation systems you are paying 3%?

Dwyer Yes.

Ty DeWitz Farmer in Tappen, Central Dakota Irrigation District. Testified in favor of HB 1289.

It won't deter irrigation development; it will just make everything equal. In regards to earlier questions about repair costs, it varies.

Chairman Holmberg Closed the hearing on HB 1289.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1289

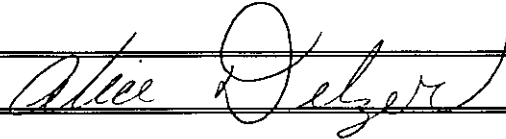
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 04-03-09

Recorder Job Number: 11720

Committee Clerk Signature



Minutes:

Chairman Holmberg called the committee to order in regards to irrigation equipment repair parts.

VICE CHAIRMAN GRINDBERG MOVED A DO NOT PASS. SECONDED BY SENATOR FISCHER.

Chairman Holmberg This is the bill that Finance and Tax had a 5-1 do not pass and it was overturned on the floor. Call the roll on a Do Not Pass on 1289.

A ROLL CALL VOTE WAS TAKEN RESULTING IN 7 YEAS, 7 NAYS.

Chairman Holmberg It was a tie. Nothing happens.

VICE CHAIRMAN GRINDBERG MOVED WITHOUT COMMITTEE RECOMMENDATION. SECONDED BY SENATOR CHRISTMANN.

Chairman Holmberg Call the roll on a Without Committee Recommendation on HB 1289.

A ROLL CALL VOTE WAS TAKEN RESULTING IN 13 YEAS, 1 NAY, 0 ABSENT.

SENATOR COOK FROM FINANCE AND TAX WILL CARRY THE BILL.

Chairman Holmberg closed the hearing on HB 1289.

Date: 4/3/09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1289

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass Amended

Motion Made By Grundberg Seconded By Fischer

Representatives	Yes	No	Representatives	Yes	No
Senator Fischer	✓		Senator Warner		✓
Senator Christmann	✓		Senator Robinson		✓
Senator Krebsbach	✓	✓	Senator Krauter		✓
Senator Bowman	✓	✓	Senator Lindaas		✓
Senator Kilzer	✓		Senator Mathern		✓
Senator Grundberg	✓		Senator Seymour	✓	
Senator Wardner	✓				
Chairman Holmberg	✓				

Total Yes 7 No 7

Absent _____

Floor Assignment _____

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

Date: 4/3/09
Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1289

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number w/out Rec

Action Taken Do Pass Do Not Pass Amended

Motion Made By Grindberg Seconded By Christmann

Representatives	Yes	No	Representatives	Yes	No
Senator Krebsbach	✓		Senator Seymour		✓
Senator Fischer	✓		Senator Lindaas	✓	
Senator Wardner	✓		Senator Robinson	✓	
Senator Kilzer	✓		Senator Warner	✓	
V. Chair Bowman	✓		Senator Krauter	✓	
Senator Christmann	✓		Senator Mathern	✓	
V. Chair Grindberg	✓				
Chairman Holmberg	✓				

Total Yes 13 No 1

Absent w/o com Rec.

Floor Assignment F & Tax

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

REPORT OF STANDING COMMITTEE (410)
April 3, 2009 8:47 a.m.

Module No: SR-56-6080
Carrier: Cook
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1289: Appropriations Committee (Sen. Holmberg, Chairman) recommends BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1289 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1289

TESTIMONY ON HOUSE BILL 1289

Presented to the House Committee on Finance and Taxation
10:00 a.m. January 20, 2009

Presented by Rick Anderson
Chairman, North Dakota Irrigation Association

Mr. Chairman and members of the Committee my name is Rick Anderson, Chairman of the North Dakota Irrigation Association (NDIA) and an irrigator. House Bill 1289 creates a new subsection and amends two subsections of the North Dakota Century Code related to exempting from sales, use, and farm machinery gross receipts taxes for the repair or replacement parts for irrigation equipment which have a specific or generic part number assigned by the manufacturer of the equipment and used exclusively for agricultural purposes.

Repair or replacement parts for irrigation equipment are now taxed at the 5 percent rate. However, repair parts for other farm equipment are exempt from sales, use or gross receipts taxes. A center pivot irrigation system and pump are major equipment items used to put water on the land to enhance production of an agricultural crop. This equipment compares to the drill needed to plant the crop, the sprayer that applies the pesticides to protect the crop, and the combine to harvest the crop. Irrigation equipment is similarly vital to many farms and we believe the related repair parts for it should also be exempt from the sales, use and gross receipts taxes making the law consistent with other farm equipment.

The State of North Dakota has identified irrigation as an economic development initiative. Irrigation is a significant farm management option to enhance income where the soil and water are available. The state currently has approximately 260,000 acres under irrigation and soil and water resources are available to add more acres. Exempting repair parts from the taxes previously identified will also reduce operating overhead providing added economic incentive for developing new irrigation.

We ask for your favorable consideration of House Bill 1286.

#1

TESTIMONY ON HOUSE BILL 1289

Presented to the Senate Committee on Finance and Taxation
9:00 a.m. March 3, 2009

Presented by Mike Dwyer
Executive Director, North Dakota Irrigation Association

Mr. Chairman and members of the Committee my name is Mike Dwyer, Executive Director of the North Dakota Irrigation Association (NDIA) and an irrigator. House Bill 1289 creates a new subsection and amends two subsections of the North Dakota Century Code related to exempting from sales, use, and farm machinery gross receipts taxes for the repair or replacement parts for irrigation equipment which have a specific or generic part number assigned by the manufacturer of the equipment and used exclusively for agricultural purposes.

Repair or replacement parts for irrigation equipment are now taxed at the 5 percent rate. However, repair parts for other farm equipment are exempt from sales, use or gross receipts taxes. A center pivot irrigation system and pump are major equipment items used to put water on the land to enhance production of an agricultural crop. This equipment compares to the drill needed to plant the crop, the sprayer that applies the pesticides to protect the crop, and the combine to harvest the crop. Irrigation equipment is similarly vital to many farms and we believe the related repair parts for it should also be exempt from the sales, use and gross receipts taxes making the law consistent with other farm equipment.

The State of North Dakota has identified Irrigation as an economic development initiative. Irrigation is a significant farm management option to enhance income where the soil and water are available. The state currently has approximately 260,000 acres under irrigation and soil and water resources are available to add more acres. Exempting repair parts from the taxes previously identified will also reduce operating overhead providing added economic incentive for developing new irrigation

We ask for your favorable consideration of House Bill 1286.

TESTIMONY ON HOUSE BILL 1289

Presented to the Senate Committee on Appropriations
11:00 a.m. March 11, 2009

Presented by Rick Anderson
Chairman, North Dakota Irrigation Association

Mr. Chairman and members of the Committee, my name is Rick Anderson, Chairman of the North Dakota Irrigation Association and an irrigator. House Bill 1289 creates a new subsection and amends two subsections of the North Dakota Century Code related to exempting repair of replacement parts for irrigation equipment from sales, use, and farm machinery gross receipts taxes. The parts must have a specific or generic part number assigned by the manufacturer of the equipment and used exclusively for agricultural purposes. The Fiscal Note on the bill is \$300,000.

Repair or replacement parts for irrigation equipment are now taxed at the 5 percent rate. However, repair parts for other farm equipment are exempt from sales, use, or gross receipts taxes. A center pivot irrigation system and pump are major equipment items used to put water on the land to enhance production of an agricultural crop. It is comparable to a drill, sprayer, or combine all of which are vital equipment for farming operations. Irrigation equipment is similarly vital to many farms and we believe the related repair parts should also be exempt from the sales, use and gross receipts taxes.

By exempting irrigation equipment repair parts from sales, use, or farm machinery gross receipts taxes makes the statute consistent with other farm equipment repair parts. We believe it is the only common item of farm equipment for which repair parts are not exempt. When used irrigation equipment is purchased, it is exempt from these taxes, which is consistent with the exemption for other farm machinery purchased as used equipment. In light of that exemption, it seems logical that perhaps it was intended to include irrigation equipment repair parts in the original legislation, but was inadvertently overlooked.

The State of North Dakota has identified irrigation as an economic development initiative. Irrigation is a significant farm management option to enhance income where the soil and water are available. The state currently has approximately 260,000 acres under irrigation and soil and water resources are available to add more acres. Exempting repair parts from the taxes previously identified will also reduce operating overhead providing added economic incentive for developing new irrigation

We ask for your favorable consideration of House Bill 1289.