

2009 HOUSE FINANCE AND TAXATION

HB 1517

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1517**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 10, 2009

Recorder Job Number: 9080

Committee Clerk Signature

Minutes:

Vice Chairman Drovdal: We will open the hearing on HB 1517. Welcome Representative Belter to House Finance and Tax.

Representative Belter: What HB 1517 does is that it caps the county sales tax at 1% and it caps the city sales tax at 1½%. Now there are some cities that are over the 1½%; those that are over the 1½% would be grandfathered in. However, when the sales tax that they have imposed expires, the only way they can reinstate that tax above the 1½% is by a 60% vote of the public. I handed out a handout (**Testimony 1**) which shows the number of cities and counties and where the tax rates are. This bill does not affect any city lodging tax or restaurant tax. It only deals with the general sales tax. Committee members, it is not my intent to be punitive to the cities or counties. The only reason that I have introduced this is because I have long felt that the sales tax is a tax that was originally set up for the state to use. We have all seen a tremendous growth in the use of the sales tax. I just felt that as cities use the sales tax more and more, if the time should come where the state needs to increase sales tax, it will be very difficult because of the high city sales tax. It is my belief that we as a state legislature need to preserve the integrity of the sales tax for state purposes, yet allowing a certain level for

the cities and counties to use for the needs as they see it. That concludes my testimony. If there are any questions, I will try to answer them.

Representative Pinkerton: As you put this together, did you consider that there is a portion of the current sales tax that goes back to cities and counties in lieu of the personal property taxes when you removed them from the local entity? Did you consider increasing that number and just eliminating the city sales tax from all the cities?

Representative Belter: No I did not.

Representative Pinkerton: Wouldn't that solve some of this problem if we just used a portion of the state receipts to send back? It looks like almost every city in the state has 1-2%. Wouldn't that solve the problem?

Representative Belter: It could solve the problem if we wanted to entirely take the sales tax away from the cities and counties.

Representative Pinkerton: If we took that away, they wouldn't have the revenue to run on; they would have to increase their property tax; but if we took that portion of the state sales tax that now goes back to them, (I think it is .4%) that goes back to cities, counties and townships; and if we increased that amount, would they need that 1 or 2% they receive?

Representative Belter: My belief is that government always feels they have a need so I guess I would not be comfortable with increasing the amount of aid to the cities and counties without them having the ability to run a sales tax at the city and county level.

Representative Pinkerton: Just to clarify this. I kind of agree with the idea Representative Belter, but if we replaced that with the money going back and increased that to a certain percentage, then that would directly do away with city sales tax completely.

Representative Belter: It certainly could, but I doubt that it would because I sincerely believe that somebody in the cities would think that there is a greater need and they would still impose their city sales taxes.

Representative Pinkerton: If we legislated that they could not and then provided a (inaudible) sale tax, they couldn't.

Representative Belter: I guess the bottom line would be what is enough?

Vice Chairman Drovdal: Others who wish to testify in favor of HB 1517? In opposition?

Bill Shalhoob, Economic Developers of ND: We are opposed to this bill. Economic development in all communities large and small rely on sales taxes to do this for a couple of reasons. The first because the voters wanted it. Remember, under the home rule charter, all of these sales taxes that were put in were put in by the voters. The city commissions and the county commissions are not authorized to do this without a vote of the voters. The second reason it is put in is for community development. That is, if the voters in the community have infrastructure needs and recreational needs or other needs not met in other ways, this is a source of revenue for them and that is how it is used. Another reason would be to meet the local portion of grants. As projects come forward in any form, there is always a portion grant. Rather than put the money on the property taxes, sales tax is a viable alternative. The third reason is our group, the economic developers, and we are recipients of economic opportunities that come along that don't fall within any of these places. If the community or a legal subdivision of any type wants to do economic development, wants the project, this is a way to get it and a way to meet the needs. However you want to talk about it locally, there is a certain amount of sales tax in every subdivision that comes from outside your subdivision so in a way you tax the guy behind the tree. It is spread out equally and seems to be a more fair way to go with this. The EDND believes that as long as the safeguards are in place, that you

have the local vote and if it is what the local folk's want, that it should be put on the local political subdivisions. Any questions?

Representative Headland: Bill, a lot of the major population areas and cities already have 1% for economic development?

Bill Shalhoob: They have a 1% tax; I don't think it exclusively goes to—a portion may go to economic development, but in their charter or in their vote, there are allowable uses. The 1% tax, I know, in the City of Bismarck, there is a 30 mill deduct so the city applies 30 mills of deduct out of the sales tax to every property tax owner in the city. Some of it is used for economic development; it can be used for infrastructure like roads and water treatment plants; however the city commission decides to use it, whatever the use is as the tax is put in.

Representative Headland: Stutsman County has 1% for economic development, the full 1%.

I guess my question to you would be if there are a couple of bills to hear in the legislature that would lower the state's sales tax, and we lower our sales tax, do you think that some of these political subdivisions may see that as a way to raise theirs?

Bill Shalhoob: Good question. I think that is a legitimate debate in terms of money that becomes available if anybody steps into the vacuum. I would hope that every political subdivision is sensitive to voters and concerns about the taxable levels and would tread very cautiously before they would do that. I think that in terms of, at one point, going back to the JSCC, there was a property tax for economic development and allowed I think 4 mills for property tax. That is how most political areas were—this goes back a lot of years—that is how all political subdivisions, I think were funded in economic development. Then with the advent of sales tax, they were able to replace those with sales tax portions. Some of them, I think, if you look at Watford City, they are still using the 4 mill thing. A lot of people gained property tax relief by eliminating that when they substituted sales tax for it.

Representative Kelsh: What is the vote threshold to impose sales tax now? Is it 50%.

Bill Shalhoob: I think that depends on your home rule charter.

Chairman Belter: Bill, if this bill was to be amended to allow cities and counties to exceed the 1½% by a 60% vote, would your group still be in opposition to the bill?

Bill Shalhoob: That would open up the door.

Chairman Belter: The way it is written now you could only extend an existing tax with the vote, but I have the thought of amending it to allow cities and counties to exceed that by a 60% vote; then they can levy the tax for any reason.

Bill Shalhoob: Understanding this is a hot button issue for the economic developers everywhere, I would be happy to take that to the board and ask, but I really don't think I could speak to that without getting some direction from their board.

Connie Sprynczynatyk, ND League of Cities: I have written testimony to offer you from two communities from the City of Minot (**Testimony 2**) and from the City of Valley City (**Testimony 3**). They have expressed their concerns about this bill. In both cases, those cities are over what you are currently discussing. Valley City is at 2%. I can tell you that about one third of the incorporated cities have local sales tax. There is a requirement that it be applied by home rule charter; the home rule charter has to be passed by a majority vote of the residents and, I think, if I remember my history, that Grand Forks was the first city in, I believe, 1986 and Bismarck and Minot followed in 1987 or 1988 and then Fargo in 1990. After 1990, there were quite a number of charters that were approved; many of them limited to just collection of local sales tax. That is not something that can be increased by the governing board; it is something that has to be approved by the voters. Typically, the use of the sales tax will be in that charter in the ordinances. For example, we survey cities and the most common use is for economic development as Bill testified; there used to be many job development authorities that could

levy up to 4 mills. They were doing that to try to put together a pool of resources to entice companies. Those JD's were pretty much eliminated, at least that mill levy, as far as I know, virtually eliminated by the use of sales tax. That was the first step in property tax reduction. Not every city uses sales tax for direct property tax reduction, but I think you will see in Valley City's testimony, that there voters approved an extra half-cent for infrastructure repair, which is the second most common use. You can imagine that infrastructure is very expensive and some of those water and sewer lines are very old. They are aging like some of us. Infrastructure repair and replacement would be another common use. There is frequently a use for facilities that have more of a regional flavor because every community with any sort of shopping that will pay that extra percent recognize that they are shopping in the service area. It is not uncommon to see some sort of aid provided to communities in that service area. In some cases, the service area is not defined by geography. For example, the Magic Fund in Minot, the Star Fund in Williston, the Division fund in Bismarck all provide aid outside the geographic limits of the community in recognition that the sales tax is paid by anybody that shops here. I would be happy to answer questions if you have any.

Representative Headland: I am somewhat reluctant to ask this question again, but let me preface this statement by saying that where I live, the local political leaders have twice tried to increase the sales tax from the current 2% and they have failed in both instances. My fear is if, for whatever reason, the state decides to lower their portion of sales tax; the voters may be a little bit more reluctant to say no. How do you respond to that?

Connie Sprynczynatyk: I think the answer is actually no. The voters, when it comes to sales tax packages, because they are going to be paying that rate, (the majority of Minot sales taxes is collected from the people who live in Minot, that is common sense) and if they are going to vote on an increase, I think they are pretty clear about knowing what that increase is. One

thought that the state might use for a relief valve, I don't know if this committee has lately actually counted all the exemptions to sales taxes that are on the books. I know that you get asked every legislative session to add to that exemption list. That impacts both the state and the local collections because we are tied to your exemptions. We are not complaining about that. It is just that if the state took off the exemptions, the state could lower the sales tax and collect more money. Would the voters then vote for more local sales tax? I wouldn't say that is a slam dunk, not at all.

Representative Froseth: I think there is only one city in this district that has over 2% and that is Medora which has 2½% sales tax. Is there any level of cap that the previous cities would approve like a change to a 2% cap because there are a lot of cities that are at 2% now?

Connie Sprynczynatyk: I am like Bill. I would have to go back and ask that question. I have never heard anybody say we should have it capped at "X". I think the problem is that all of the cities are so different. Take the town of Medora. It has less than 100 full-time residents. During the tourist season, they have tens of thousands of people floating through that town and they have to have infrastructure to handle it. I think one of the reasons that the locals started thinking positively to local sales taxes was because we all recognize that if you are a city of one size or if you are a city even like little Medora located in a very attractive place, your infrastructure is overbuilt for your population. Fargo has more infrastructure than they need for the number of people who live there. You could say that sales tax collected regionally has some benefit plus a lot of cities offer additional benefit. But for your specific question, I would have to go back and ask.

Representative Brandenburg: I live just south of where Representative Headland's problem is. If those people have a choice; they would have me paying to fix their roads; they have me helping to pay for their school. I really think there should be some sort of sales tax and there

has to be a balance to it. But when you have every city and county always asking for a sales tax to pay for the school and asking to pay for roads, I think it is being misused. That is why I think this bill is here. We are going to have more of that. How do you stop that without legislation like that?

Connie Sprynczynatyk: One of the uses that Bismarck has approved for this sales tax is just exactly what you said. There is a million and a half a year that goes into street, road and trail projects. It is because nobody can keep up. The state can't, the county, the township—nobody can keep up with road construction issues. Let's just say you want to pick on the trail system in Bismarck because they have 50 miles of paved trail. There are actually people from this area who have told me they drive to Bismarck, park in one of the parks just so they can use the trails. Are they getting a benefit from it? Yes. Do they want to pay for it? No, nobody does.

Representative Brandenburg: I don't get a benefit from the schools in Jamestown.

Connie Sprynczynatyk: Actually my own personal theory is that we all benefit from those publically financed facilities. If I am employer, I am going to benefit from an educated workforce, aren't I? We will politely disagree on that.

Chairman Belter: Further testimony in opposition to 1517? Any neutral testimony?

Myles Vosberg, Tax Commissioner's Office: I wanted to provide a little information. This sheet I am handing out identifies the cities above the 1½% rate (**Attachment 4**). The only point that I wanted to make is that the bill provides for your grandfathering provision extension if there is a 60% total voter approval. There are 17 cities that have a 2% rate right now that have no expiration date so there are already some cities that would be permanently grandfathered in because they do not have an expiration date on their tax. What I have done

on this sheet is just identify those and then also the bottom part of the list identifies those above the 1½% and when their expiration dates are.

Representative Weiler: Are those three the only counties that actually have sales tax?

Myles Vosberg: Yes, three counties. 123 cities, but only three counties.

Representative Headland: I am looking at Jamestown. There is 2% there. I know the city has 1% that goes to building a new high school and 1% for economic development. There is also 1% for lodging. That tells me that they are not levying any sales tax for city services. Would that be right?

Myles Vosberg: Let me check my list. The 1% you refer to for lodging is not a city sales tax. That is a lodging tax.

Representative Headland: When I go to a restaurant and I see 8% tax that includes the 1% for restaurant and lodging?

Myles Vosberg: Correct. That would be the 5% state, the 2% city and then the 1% restaurant/lodging tax, which is dedicated to the visitor promotion fund, I believe.

Representative Headland: Then the 1% goes to economic development and the other 1% that goes to the school would make up the total of the 8% so they are not levying any sales tax for city services?

Representative Pinkerton: In counties like Mountrail County, which has so much oil impact, could they levy a countywide sales tax that would assume that all that drill (inaudible) (26:50) and all that stuff is taxable because it is ultimately consumed in Mountrail County? Would they receive the tax or would it go where it was purchased?

Myles Vosberg: The tax applies where the goods are delivered. If those products were delivered by the seller to Mountrail County, the tax would apply in Mountrail County.

Representative Drovdal: Myles, in the case of an oil company ordering suppliers picked up by a third party, the property changed possession at the point of sale. Therefore, the tax is due at the point of sale, is it not?

Myles Vosberg: If the third party is not a carrier that is delivering that the seller has hired to deliver; in other words, if the transaction is over when that third party picks up, then you are right. That is the taxable point.

Representative Drovdal: If the buyer contracts with the contractor, then that is the point of sale so his agent takes control of it at the point of sale and the tax goes to the point of sale, which is usually what happens in the oil field.

Representative Froseth: You have to have home rule before you can charge sales tax, don't you?

Myles Vosberg: That is correct. You have to have home rule with authority to pass sales tax.

Representative Grande: Back to Representative Headland's questions here, I am looking at the front page of the handout from the Chairman. It says city lodging tax and they have it listed at 2%, then it says city lodging and restaurant tax at Jamestown 1%. Do they have 3% tax there or what is the breakdown?

Myles Vosberg: There are three separate taxes here. They are the city sales taxes that may be imposed under home rule. Then there is a city lodging tax that may be imposed up to 2%; you don't need to have home rule; any city can do that. Then there is an additional city restaurant and lodging tax which may be imposed up to 1% and Jamestown has them all.

Bill Shalhoob: I will take a stab at this. I am fairly familiar with the hospitality taxes. The state sales tax is 5%, liquor is an extra percent. It is actually 6% on alcohol by the drink or by

the bottle. That is because in the 1989 referral, they forgot to take liquor out whereas everything else came down; liquor did not. You start with a base of 5% and 6%. On food,

liquor and rooms, the city is allowed to add a 1% tax and that is a capital funding expense, enabling legislation by this legislature in 1989 so you put 1% on top of that. That was supposed to go for visitor funding capital expenses—civic centers and things like that. It doesn't require a vote; the city just plugs it in. On top of that, you have the city sales tax, which voters can vote on. On top of that you have a 2% cvv tax which was allowable, enabling legislation, no vote, which was put in as a promotion thing in 1977 or 1979. The result by the time you get in there, most cities are at 9% for rooms, 9% for liquor and 7% for food, 5, 1 and 1 and that is before any special votes. The base is 7, 9 and 9 across the board—7% on food, 9% on liquor and 9% on rooms.

Representative Brandenburg: When you combine the city tax, the home rule tax and those cities on your list on the bottom which are over 2%, what is the highest?

Myles Vosberg: The highest is Medora with 2½%, Grand Forks has 1¾%. Everyone else on that list has 2%. Those are home rule sales taxes so we have 29 cities at the 2%, Medora at 2½%, and Grand Forks at 1¾%. This represents the sales tax only so it is possible to have on top of that the 2% lodging tax and the 1% restaurant/lodging tax. You have the potential of 3% between the lodging tax and the restaurant/lodging. That would apply only to rooms.

Representative Brandenburg: If you add the liquor tax, it could be 4%.

Myles Vosberg: The state has a 7% tax on alcohol so you could have 7% there, then you could have whatever the city sales tax is plus you could have the additional 1% city restaurant tax.

Chairman Belter: Just following up on the information Bill gave us, a 2% lodging and a 1% restaurant tax, those are two separate taxes?

Myles Vosberg: That is correct.

Chairman Belter: And they can be imposed by the city council. They don't need a vote?

Myles Vosberg: That is correct. The 2% lodging tax goes into a visitor and promotion fund and the 1% restaurant/lodging goes into a visitor promotion capital construction fund. It is basically all used for visitor promotion.

Representative Weiler: The lodging and the restaurant/lodging tax is only if you are at a hotel and restaurant. When you ask which one is the highest, it looks to me like Steele is the highest because the County of Steele has a 1% and the City of Steele has 2% so if I go into Steele isn't in Steele County? Do any of those have a 2%? That is stupid.

Representative Drovdal: Medora is the highest.

Representative Grande: On the city lodging tax, Grand Forks, Fargo, Minot and Valley City—above and beyond the 2%, can also do a 3%? Are they just different rates that they can have 3 versus 2%?

Myles Vosberg: Under the statute in title 40 that allows the 2% lodging and the 1% restaurant, that is the max that a city can impose under that chapter. Those cities identified there have imposed, instead of using chapter 40, they have imposed a higher rate tax under their home rule charter.

Representative Grande: Was that done by the vote of the people?

Myles Vosberg: I am not sure.

Representative Brandenburg: Under the home rule, they could keep raising the taxes as high as they want with the vote of the people?

Myles Vosberg: At this point in time, they could do that.

Chairman Belter: Any other questions? Any other testimony on HB 1517? If not, we will close the hearing on HB 1517.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1517

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/11/09

Recorder Job Number: 9199

Committee Clerk Signature

Lou Engleson

Minutes:

Chairman Belter opened the hearing on HB 1517.

Chairman Belter: What these amendments are supposed to do is keep the caps in effect if any city or county wants to exceed the 1% or the city wants to exceed the 1½ %, they can do that with a 60% vote of the electoral.

Rep. Brandenburg: I'll move the amendments.

Rep. Weiler: Second

Chairman Belter: We have a motion to move the 201 amendments from Rep. Headland and a second from Rep. Weiler. Is there any discussion on the amendments.

Rep. Froseth: Does it take a simple majority to pass the sales tax issue now.

Chairman Belter: Simple majority. Any other discussion. If not, all those in favor say aye. Opposed. Motion carries for the amendments.

Rep. Brandenburg: I move a **do pass as amended**.

Chairman Belter: I have a motion for a do pass as amended from Rep. Brandenburg. Is there a second?

Rep. Drovdol: Second.

Page 2

House Finance and Taxation Committee

Bill/Resolution No. "Click here to type Bill/Resolution No."

Hearing Date: "Click here to type Hearing Date"

Chairman Belter: Second from Rep. Drovdol. Any discussion. If not will the clerk read the roll for a do pass as amended on 1517.

The clerk read the roll call.

9 yes, 3 no, 1 absent. Rep. Grande was assigned to carry the bill.

VK
2/11/09

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1517

Page 2, line 23, after "percent" insert "unless a higher rate is approved by a vote of sixty percent or more of the qualified electors of the county voting on the question"

Page 3, line 30, after "percent" insert "unless a higher rate is approved by a vote of sixty percent or more of the qualified electors of the city voting on the question"

Page 4, line 6, remove "but otherwise sales and"

Page 4, remove line 7

Page 4, line 8, remove "exceeding one and one-half percent"

Renumber accordingly

Date: 2/11/09

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1317

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90853.0201

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Headland Seconded By Weller

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) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2/11/09

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1517

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 Brandenburg Seconded By Drozdal

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

Total (Yes) 9 No 3

Absent 1 (Wrangham)

Floor Assignment Grande

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

REPORT OF STANDING COMMITTEE

HB 1517: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (9 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1517 was placed on the Sixth order on the calendar.

Page 2, line 23, after "percent" insert "unless a higher rate is approved by a vote of sixty percent or more of the qualified electors of the county voting on the question."

Page 3, line 30, after "percent" insert "unless a higher rate is approved by a vote of sixty percent or more of the qualified electors of the city voting on the question"

Page 4, line 6, remove "but otherwise sales and"

Page 4, remove line 7

Page 4, line 8, remove "exceeding one and one-half percent"

Renumber accordingly

2009 SENATE FINANCE AND TAXATION

HB 1517

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1517

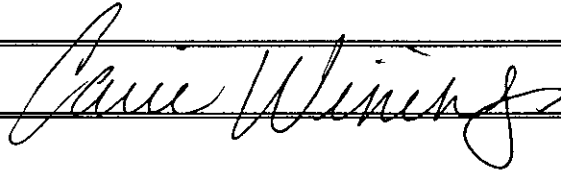
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/23/2009

Recorder Job Number: 11378

Committee Clerk Signature



Minutes:

Vice Chairman Miller: Opened the hearing on HB 1517.

Senator Dwight Cook, District 34: Testified as sponsor and in support of the bill. (Explained the bill) We have all talked about sales tax simplification. The biggest undue burden nationwide is local sales tax. It is difficult to apply all of the different local tax areas as a business. I think that it is important to recognize the burden it places.

4.05 **Vice Chairman Miller:** Further testimony?

Connie Sprynczynatyk, North Dakota League of Cities: Testified in opposition to the bill. Sites when the cities implemented home rule. We now have 123 different rates in the state. That is because they all have different needs. (Brings up a section of the century code, title 40, page 79 stating the original point of home rule) A city can already make the requirement of a specific percentage to be law. See Attachments #1, #2, #3, #4 for testimony presented.

10.18 **Chairman Cook:** You raise a good point about the tool that the state has to raise revenues. They could expand the base. Of course if the state expanded the base, being the cities have to be the same, we also expand the revenue for the cities. If we did that would you be against us then requiring the rate to come down so that you stayed revenue neutral?

Connie Sprynczynatyk: It is an interesting question and that is something that I have not asked the cities. You raise a good point. If you change the base it would make a big difference for larger cities. People at the local level do pay attention.

Senator Oehlke: Gives me an example of someone he had talked to. Does someone expect me to believe that these companies that do the sales tax don't have computers and can't plug that in and know that certain locations have the sales tax they do, I don't get it?

Connie Sprynczynatyk: You are correct. Things for retailers are typically computerized and I think they do all that.

Senator Hogue: Does your organization have any data on what have been the results of the elections in the past five years?

Connie Sprynczynatyk: We would have to check that out. There have been at least 126 (123 cities and the 3 counties with sales tax), plus then any time a city or county changes the rate there has to be an election. In some cases use of the sales tax is tied to local approval, unless it is being used for x, y, and z. We would have to go back to the Sec. of State's office and check on that. When citizens look at home rule charter it goes through on the first try. They don't object to the local sales tax, they just want to know what the local sales tax is being used for.

Senator Hogue: I would be interested in how many are getting 60%.

Connie Sprynczynatyk: That is a big research project. I will see what I can do.

Senator Hogue: I don't want it to be a large amount of work, I just want to know if this 60% is reasonably attainable because if it is not it just seems to me what we are doing here in policy, as a practical matter, prohibiting any city from having more than a 1.5% sales tax.

Connie Sprynczynatyk: That is just one example on the entire state. It is a very narrow question. Bismarck voters have also refused to accrue use of sales tax.

17.35 **Senator Triplett:** Could you repeat the range?

Connie Sprynczynatyk: 75 are at 1%, 17 at 1.5%, 1 at 1.75%, 29 at 2%, and 1 at 2.5%. I think Medora is the one at 2.5%.

Chairman Cook: You are well aware of all the retail stores in Bismarck and Mandan is it fair to say that the citizens in Mandan that go to Bismarck to buy things are paying down Bismarck property taxes while they are over there?

Connie Sprynczynatyk: I could say yes, and I could argue another side for you. What Bismarck typically does with sales tax is not just that 25 mill property tax buy down, but also projects that they would otherwise burden the property tax and the criteria that benefit a wider audience. They recognize they are a service community. It is not a perfect answer.

20.15 **Representative Wesley Belter, District 22:** Testified as sponsor and in support of the bill. See attachment #5 for information important to the bill. This is a protection for the taxpayers of the cities. Often we hear the cities and counties are against this. With this we have left it up to the people.

24.21 **Senator Hogue:** Are Fargo and Bismarck at 2%?

Representative Belter: Fargo is at 1.5%.

25.08 **Bill Shalhoob, Economic Development Association of North Dakota:** See Attachment #6 for testimony in opposition to the bill.

27.00 **Senator Dotzenrod:** You have in here about the definition of democracy, example of Fargo dome and that half of it would be paid for by people outside of the city of Fargo, what kind of Democracy is that where you don't have any say in the tax but you go to somewhere to buy something and you are paying for something in a city you don't live in. The idea that we extend this to 60%, there may be an argument that if taxpayers can get everything at half price

by imposing a local sales tax then they should put as much of that on sales tax as possible.

How does that fit in with your definition of Democracy about the majority and the minority?

Bill Shalhoob: It actually does fit when you think about it. People go all over and the taxes are paid on purchases. It is true that it does not happen for the rural towns because there is no exchange. Tax measures fail when the taxpayers don't want it.

30.00 **Senator Oehlke:** I was wondering if the 60% was removed, would you be ok with the rest of everything in this bill.

Bill Shalhoob: I don't think you would have a bill after that. That is really what the bill is about.

Senator Triplett: If we took away the 60% I think there would be something left.

Bill Shalhoob: You are correct that there really are two parts of the bill. It does raise concerns that abilities are being constricted.

Vice Chairman Miller: Can you argue that it makes people work a little harder to raise sales tax? There is cost involved in elections.

Bill Shalhoob: It certainly raises the bar. It might cause you to question. I don't know if it would deter a project that needs to move forward.

33.41 **Senator Dotzenrod:** Do your feelings change any if the 1.5% for cities is moved to 2%?

Bill Shalhoob: I would guess not.

Vice Chairman Miller: Closed the hearing.

Chairman Cook: Addressed Senator Oehlke's question. There has been a tremendous amount of work to make this easier. It is a burden that we have faced and found a solution to.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1517

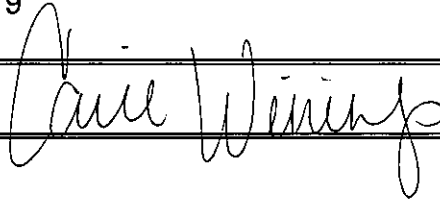
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/23/2009

Recorder Job Number: 11419

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened discussion on HB 1517.

Senator Triplett: I have not made up my mind on this one. I was influenced by the argument about the minority ruling majority be requiring the 60%. I guess if I were going to support it, it would be more in the nature of if we think we need to put limitations on cities and counties, let's just put limitations on them. Then it would be a line in the sand. I do like the notion of 60%. I may just vote against the whole bill anyway.

Chairman Cook: If we had it 50%, I know we have a limitation, but don't they have to get a vote right now.

Senator Triplett: I mean just to say to put a cap on it and say they are not allowed to go above 1% and cities 1.5%, and not even have a vote.

Chairman Cook: I like that better.

Senator Hogue: Except for Medora.

Senator Triplett: If the point is to reserve some of the sales tax, a flat out line makes more sense to me.

Chairman Cook: What if we turn it into a study resolution. That would determine what it would cost, to expand the tax base and lower the rate and remove and eliminate local taxes and study it. How we might accomplish doing that and keep cities whole.

Senator Triplett: comment

Chairman Cook: We have a formula right now.

Vice Chairman Miller: How much money is going through that formula?

Chairman Cook: Four tenths of one percent.

Senator Oehlke: if you look at that one page and it compares us with South Dakota, everyone might say that they are only 4%, yes they are, but they tax everything.

Senator Anderson: Right now I do not think that it would be a good time to go to Whapeton and suggest this. A considerable amount of the tax is flood prevention. Gives example of how that has transpired in the city up until now relating to other cities around. I don't agree with the 60%, I think the people have been good about it.

Senator Oehlke: The City of Devils Lake is looking at having to raise taxes to pay for flood prevention. I think the study idea is OK, I would have a hard time voting for the bill.

Chairman Cook: I may be the only one that wants this.

Senator Dotzenrod: I am concerned about what Representative Belter said that the state's ability to have available to it some sales tax options in the future is reduced. When I have looked at the way the cities have used their sales tax revenues, it appears to me that they have been pretty responsible. I am tempted to be a no vote.

Chairman Cook: I do believe there are a lot of reasons we see rural migration. There are a lot of reasons that we see rural towns dying. CRP had a lot to do with that. Local sales tax had a lot to do with that also.

Vice Chairman Miller: One thing that bothers me about the way sales tax gets sold to people.

(Gives the example of Fargo) The most regressive thing you can do is tax poor people and then give it to someone who is rich. I don't necessarily support the bill because I think there is another side of it and that is giving counties and cities options as opposed to property tax or something else. There are so few options that they have in their tax chest. It is a real crux. I kind of supported the 60%.

12.18 **Senator Dotzenrod:** Comment about Fargo.

Vice Chairman Miller: It failed miserably. Fargo continues to ask for sales tax increases.

Chairman Cook: We will work on this.

Senator Triplett: I don't have an objection to converting this to a study, but put it on something else.

Chairman Cook: Closed the discussion.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1517

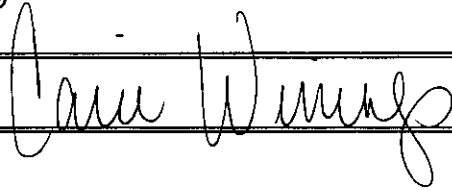
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/25/2009

Recorder Job Number: 11509

Committee Clerk Signature



Minutes:

Chairman Cook: Reopened discussion on HB 1517. Reviews the bill.

Senator Anderson: I cannot support this.

Senator Anderson: Moved a Do Not Pass.

Senator Oehlke: Seconded.

Senator Dotzenrod: The timing on this is a bad thing. Right now with all of the flooding and we have a bill at the same time that caps their funds. No one can show me that cities have been wasteful with their funding. Some of it is property tax relief, but most of this money has made the cities a better place to live.

Chairman Cook: I would rather amend this and take away the whole right for the tax.

(Reminds the committee that he has been working on this for years and what the goal is) I come from purist standpoint on the integrity of the state sales tax and the sovereign rights of states to have it. I won't lose sleep if this does not pass.

5.30 **Senator Hogue:** (Gives an example of situation in Minot) On the whole I am comfortable with how the cities use their local tax.

Chairman Cook: My biggest challenge with sales tax in the state of North Dakota is when Cass County funded the jail. They take advantage of a major metropolitan shopping area to

pay for their county jail. All the citizens of North Dakota go through Fargo and of course it is a convention town to some degree. That is how they paid for the jail. The other burden is when a state allows the local sales tax to get away from them. Local government runs government in the state of Colorado. They are not in the streamline sales tax. I think the state rate was 2% and city rates as high as 8%. We don't have near the problem that other states have. Maybe we should cap them at the highest one out there.

10.09 **Senator Anderson:** Doesn't Minot have the star fund where people in the city can apply?

Senator Hogue: Yes. I think it is up to \$2000, and it is for marketing. I am not too fond of that. To me it is a job creation fund and we limit them to putting up a billboard or developing a brochure that says this is a good city to do business in.

Senator Anderson: The city of Whapeton does encourage nearby towns. We even looked at helping nearby Minnesota town. Of course we couldn't do that. The last thing needs a 60% vote. I have a problem with that; unless there was somehow a vote ahead of time approving that you need a 60% vote, and that had to pass by 60%. Does that make any sense?

Senator Hogue: Mentions that Senator Flakoll has a constitutional amendment that was somewhat like that.

Senator Anderson: To me it should be majority rules.

A Roll Call vote was taken: Yea 5, Nay 1, Absent 0.

Senator Anderson will carry the bill.

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1517

Senate Finance and Taxation

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Senator Anderson Seconded By Senator Oehlke

[illegible]

Total: Yes 5 No

Absent

Floor Assignment

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

REPORT OF STANDING COMMITTEE

HB 1517, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)
recommends **DO NOT PASS** (5 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING).
Engrossed HB 1517 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1517



Guideline

Local Option Taxes by Location

Cory Fong
Tax Commissioner

January 2009

LOCAL OPTION TAXES

This guideline contains information on local sales, use and gross receipts taxes, lodging taxes, lodging and restaurant taxes, and motor vehicle rental taxes imposed by cities and counties but administered by the North Dakota Office of State Tax Commissioner. The Office of State Tax Commissioner assumes full responsibility for collection of the taxes including delinquency control, auditing and collection activity. Local option sales, use and gross receipts taxes are reported on the same form as the state sales taxes. However, city lodging taxes, city lodging and restaurant taxes and city motor vehicle rental taxes are reported to the State Tax Commissioner on separate forms. This guideline summarizes all the North Dakota cities and counties imposing local option taxes:

New Local Option Taxes and changes to existing Local Option Taxes become effective on the first day of a calendar quarter. Updates are posted a minimum of 60 days prior to the start of the quarter on our web site at www.nd.gov/tax/salesanduse.

City Lodging Tax & City Lodging and Restaurant Tax

In addition to city sales, use and gross receipts taxes, many cities impose local taxes on lodging accommodations, restaurant meals and on-sale beverages. Unlike city sales, use and gross receipts taxes, city lodging and city lodging and restaurant taxes do not contain any special exemptions or compensation allowances. Information on these local taxes is provided below.

City Lodging Tax

City	Effective Date	Rate	City	Effective Date	Rate	City	Effective Date	Rate
Beulah	10/1/91	2%	Drayton	7/1/07	2%	Medora	4/1/82	2%
Bismarck	7/1/81	2%	Grafton	4/1/93	2%	Parshall	10/1/07	2%
Bottineau	3/3/90	1%	Harvey	1/1/06	2%	Steele	10/1/91	2%
Bowman	4/1/90	2%	Jamestown	7/1/88	2%	Williston	1/1/82	2%
Carrington	1/1/88	2%	Lakota	9/1/06	1%	Wahpeton	4/1/89	2%
Cooperstown	10/1/08	1%	Langdon	10/1/95	2%	Walhalla	1/1/09	1%
Devils Lake	7/1/84	2%	Lisbon	1/1/06	1%	Watford City	4/1/86	2%
Dickinson	7/1/82	2%	Mandan	7/1/87	2%	West Fargo	9/1/90	2%
			McVick	1/1/09	2%	Wishek	1/1/07	2%

Note: Fargo (3%), Grand Forks (3%), Minot (3%) and Valley City (3%) also impose a local lodging tax, however, their taxes are administered locally.

City Lodging and Restaurant Tax

City	Applies to	Effective Date	Rate	City	Applies to	Effective Date	Rate
Beulah	Lodging, food, liquor	1/1/09	1%	Jamestown	Lodging, food	7/1/88	1%
Bismarck	Lodging, food, liquor	7/1/81	1%	Lakota	Lodging, food, liquor	9/1/06	1%
Bottineau	Lodging, food, liquor	3/3/90	1%	Lisbon	Lodging, food, liquor	1/1/06	1%
Bowman	Lodging, food, liquor	4/1/90	1%	Mandan	Lodging, food, liquor	7/1/87	1%
Devils Lake	Lodging, food	7/1/84	1%	McVick	Lodging, restaurant, liquor	1/1/09	1%
Dickinson	Lodging, food, liquor	7/1/82	1%	Parshall	Lodging, food, liquor	10/1/07	1%
Drayton	Lodging, food, liquor	7/1/07	1%	Pick City	Lodging, food, liquor	7/1/93	1%
Edgemoor	Lodging, food, liquor	4/1/97	1%	Rugby	Lodging, food, liquor	10/1/97	1%
Grand Forks	Lodging, food, liquor	7/1/05	1%	Valley City	Food, liquor	5/1/97	1%
Grand Forks	Lodging, food, liquor	1/1/06	1%	Wahpeton	Lodging, food, liquor	1/1/08	1%
Minot	Lodging, food, liquor	10/1/01	1%	West Fargo	Lodging	1/1/06	1%

North Dakota Office of State Tax Commissioner

City Motor Vehicle Rental Tax

Some cities (Bismarck, Grand Forks, and Minot) impose a 1% tax on the rental of any motor vehicle for fewer than thirty days if that motor vehicle is either delivered to a renter at an airport or delivered to a renter who was picked up by the retailer at an airport. For the purposes of this tax, a "retailer" means a company for which the primary business is the renting of motor vehicles for periods of fewer than thirty days.

Collection and Payment of Local Taxes

Local tax is imposed on taxable sales when possession of the goods transfers to the purchaser or the purchaser's agent within a jurisdiction (city or county) imposing a local tax. Leasing or rental companies with property located inside a taxing jurisdiction must collect local sales tax on lease or rental payments, including those contracted prior to the effective date of the local tax.

Local option sales, use and gross receipts taxes parallel state sales, use and gross receipts tax law. All exemptions applicable for state sales, use and gross receipts taxes also apply to local option sales, use and gross receipts taxes including exemptions for tax exempt entities (schools, government agencies, hospitals, etc.) and some sales to Montana residents.

The proper execution of resale certificates, exemption certificates and processing certificates exempt sales and purchases from local tax as well as state tax. However, these certificates may not be used to exempt only state or local tax; either the activity is exempt from both taxes or it is subject to both taxes.

State and Local Gross Receipts Taxes

Effective October 1, 2005, the state sales tax on new farm machinery and new farm irrigation equipment used exclusively for agricultural purposes and the state sales tax on retail sales of alcoholic beverages sold for consumption either on or off-the-premises were replaced with gross receipts taxes. Local jurisdictions that tax these items also impose a gross receipts tax. The rates for the new gross receipts taxes are identical to the previous sales tax rates for both the state and local jurisdictions.

Retailers located within a taxing jurisdiction:

- ◆ *Must collect* the local tax when the purchaser takes possession of the goods at the retailer's location or elsewhere within the taxing jurisdiction.
- ◆ *Must not collect* the local tax for goods delivered in the retailers own vehicles or by common carrier to the purchaser outside the taxing jurisdiction.

Retailers located outside a taxing jurisdiction including those retailers located in another city or county that imposes a local sales tax:

- ◆ *Must collect* the local tax when the goods are delivered into a local taxing jurisdiction by the retailer's delivery vehicles.
- ◆ *Must collect* the local tax if the seller delivers the goods by common carrier to the purchaser within a taxing jurisdiction if the retailer has sufficient business presence within that local taxing jurisdiction.
- ◆ *Must not collect* the local tax where the purchaser is located if the purchaser takes possession of the goods at the retailer's location and the retailer's location is in a different taxing jurisdiction than the purchaser.

A sufficient business presence by a retailer within a local taxing jurisdiction includes, but is not limited to:

- ◆ Sales or service people working in a city or county;
- ◆ Regular or frequent deliveries into a city or county with the seller's own vehicles;
- ◆ Property ownership or use including lease or rental within a city or county; or
- ◆ Contractors working in a city or county on behalf of the retailer.

If the purchaser did not pay a local tax at the time of purchase, the goods will be subject to local *use* tax if the purchaser takes the goods into a city or county with a local use tax for storage, use or consumption in that taxing jurisdiction. The tax is due on the cost or fair market value of the goods when they enter the taxing jurisdiction. In these situations, the consumer is responsible to report the purchase and pay the local tax liability. The seller of the goods is not responsible to collect the use tax in this situation.

Some cities of Cando, Regent and Scranton impose a local sales tax only; they do not impose a local use tax. Local tax in the cities of Cando, Regent and Scranton applies only if the seller and buyer are located within the city limits of these cities.

Contractors

Contractors and subcontractors who use tangible personal property in the performance of construction contracts within a taxing jurisdiction are subject to city or county use tax. Local use tax may be paid directly to the seller of the goods or may be accrued to the contractor for payment to the Office of State Tax Commissioner. Under state law, a contractor or subcontractor is subject to the tax regardless of who owns the goods unless local sales or use tax has already been paid on the goods.

Construction materials are subject to local tax if:

- ♦ Purchased from a retailer located inside a taxing jurisdiction for use inside that taxing jurisdiction.
- ♦ Purchased elsewhere but stored, used or consumed inside a taxing jurisdiction. *Please Note:* The local tax due is reduced by the local tax legally due and paid to another city or county.

Generally, contractors who provide a *Contractor's Certificate* to avoid payment of sales tax at the time construction materials are purchased are subject to the city or county use tax when the goods are installed whether the goods are used inside or outside of a taxing jurisdiction. The tax is due to the taxing jurisdiction where the goods were purchased.

Forty (40) local sales tax ordinances provide a limited exemption for materials that are purchased within the jurisdiction, but later installed outside of the jurisdiction where the sale took place. These jurisdictions are Anamoose, Aneta, Bismarck, Bottineau, Cooperstown, Devils Lake, Dickinson, Drake, Edgeley, Enderlin, Fairmount, Fargo, Forman, Fort Ransom, Gackle, Glenburn, Glen Ullin, Grenora, Gwinner, Halliday, Hankinson, Hannaford, Lakota, LaMoure, Leonard, Lidgerwood, Lisbon, Mandan, McVie, Mohall, New Salem, Northwood, Page, St. John, Streeter, Underwood, Washburn, Williams County, Williston and Woodworth.

To qualify for the limited exemption, a contractor must provide the supplier a *Contractor's Certificate* at the time of purchase and ask to be exempt from both state and local sales taxes. When the goods are used, the contractor must pay state use tax on the cost of the goods. The local use tax is due to the city or county where the goods are installed only if the goods are installed within a city or county that imposes a local use tax.

A *Contractor's Certificate* may also be used in all other taxing jurisdictions that impose local sales, use and gross receipts taxes but that do not allow the limited exemption. When the materials are used, use tax is due to the local jurisdiction where the materials were purchased regardless of where the materials were installed. If the *Contractor's Certificate* is not provided, city, county and state sales tax are due at the time of purchase.

Construction materials are not subject to local tax if the goods were purchased from a retailer located in a taxing jurisdiction, but delivered by the retailer outside the taxing jurisdiction for use outside of that taxing jurisdiction.

It is important to note that the maximum tax (refund cap) is calculated on each material purchase a contractor makes to fulfill a construction contract, not on purchase orders or the entire construction contract itself. Accordingly, most construction activity which is subject to local sales or use tax will include more than the specified refund cap in total local tax costs. While retailers are required to collect the full amount of sales tax for retail sales (customer may apply for a refund of local tax collected in excess of the refund cap), when use tax is accrued, it should be accrued up to the cap amount only.

Maximum Tax Refund

Prior to October 2005, most local sales taxes included a maximum tax provision (now also known as a refund cap). This was a maximum amount of tax that could apply to a single transaction. In October 2005, the caps were replaced with a refund program. Under the refund program, the retailer was required to collect tax on the entire sale without considering the caps. If the purchaser paid more than the maximum tax amount on a purchase, the purchaser could apply to the Tax Commissioner for a refund of any tax paid in excess of the cap. See our website: <http://www.nd.gov/tax/salesanduse/forms>. Find "Claim for Refund of City or County Sales and Use Tax Transmittal". Beginning July 1, 2007, retailers may voluntarily collect up to the cap amount as a convenience to their customers so the purchasers do not need to apply for a refund. Retailers are not required to calculate caps and may continue to collect tax without regard to the caps. Retailers should be consistent in the method they choose to calculate local taxes.

Compensation

Some local option taxes provide for permit holder compensation. If the jurisdiction provides for compensation, sales and use tax permit holders are allowed to retain a portion of their local tax collections or use tax obligations to help recover administrative expenses. The jurisdictions and their appropriate rates and maximums are identified on the following pages. Please note that the return must be filed and paid in full by the scheduled due date or your compensation will be disallowed and your local tax obligation will be subject to penalty and interest.

Local Option Sales, Use and Gross Receipts Taxes as of January 1, 2009

City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Maximum Tax (Refund Cap)	Permit Holder Compensation
Anamoose	Sales, Use and Gross Receipts	1-1-09	220	1%	None	None	None
Aneta	Sales, Use and Gross Receipts	1-1-05	203	1%	New farm machinery Coin-operated amusement	\$25/sale	None
Ashley	Sales, Use and Gross Receipts	4-1-98	162	1%	None	\$25/sale	3% Max. - \$33.33/ month or \$100.00/quarter
Beach	Sales, Use and Gross Receipts	10-1-97	156	1%	New farm machinery	\$25/sale	None
Belfield	Sales, Use and Gross Receipts	1% - 4-1-95 1% - 4-1-07	133	2%	Natural gas	\$25/sale before 4-1-07 \$50/sale effective 4-1-07	None
Berthold	Sales, Use and Gross Receipts	1-1-96	138	1%	New farm machinery New farm irrigation equipment Coin-operated amusement	\$25/sale	None
Beulah	Sales, Use and Gross Receipts	10-1-03	200	1%	Natural gas Coin-operated amusement	\$25/sale	3% Max. - \$50.00/ month or \$150.00/quarter
Bismarck	Sales, Use and Gross Receipts	4-1-86	102	1%	Natural gas Coin-operated amusement	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Bottineau	Sales, Use and Gross Receipts	1% - 10-1-93 1% - 10-1-99	122	2%	Natural gas New farm machinery New farm irrigation equipment	\$50/sale	3% Max. - \$50.00/ month or \$150.00/quarter
Bowman	Sales, Use and Gross Receipts	10-1-94	126	1%	Natural gas New farm machinery	\$25/sale	None
Buffalo	Sales, Use and Gross Receipts	1-1-03	196	1%	None	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Cando	Sales and Gross Receipts only	1% - 7-1-98 1% - 4-1-07	161	2%	None	\$25/sale before 4-1-07 None effective 4-1-07	3% Max. - \$50.00/ month or \$150.00/quarter
Carrington	Sales, Use and Gross Receipts	1-1-94	124	1%	Natural gas New farm machinery	\$25/sale	None
Carson	Sales, Use and Gross Receipts	10-1-02	191	1%	None	\$25/sale	None
Casselton	Sales, Use and Gross Receipts	4-1-98	163	1%	None	\$25/sale	None
Cavalier	Sales, Use and Gross Receipts	1% - 10-1-94 ½% - 10-1-98	127	1½%	Natural gas New farm machinery	\$37.50/sale	None

* Customers can request a refund of local sales or gross receipts tax based on the difference between the amount of city or county sales or gross receipts tax paid on a qualifying sales transaction and the amount identified as the "refund cap" for a specific city or county. A sale is determined by the seller's normal billing method. Each invoice issued by the seller is considered a sale and is subject to the appropriate refund cap.

City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Maximum Tax (Refund Cap)	Permit Holder Compensation
Overstown	Sales, Use and Gross Receipts	1% - 7-1-96 ½% - 7-1-08	141	1½%	New farm machinery Coin-operated amusement	\$25/sale before 7-1-08 \$50/sale effective 7-1-08	None
Crosby	Sales, Use and Gross Receipts	1-1-93	116	1%	New farm machinery	\$25/sale	None
Devils Lake	Sales, Use and Gross Receipts	1% - 7-1-88 ½ - 1-1-97 ½ - 4-1-07	104	2%	Natural gas Coin-operated amusement New farm machinery New farm irrigation equipment	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Dickinson	Sales, Use and Gross Receipts	1-1-02	106	1½%	Natural gas	\$37.50/sale	None
Drake	Sales, Use and Gross Receipts	1% - 7-1-05 1% - 7-1-08	209	2%	None	None	None
Drayton	Sales, Use and Gross Receipts	10-1-97	157	1%	None	\$25/sale	None
Dunseith	Sales, Use and Gross Receipts	1-1-05	204	1%	None	\$25/sale	None
Edgeley	Sales, Use and Gross Receipts	1% - 1-1-97 1% - 10-1-06	148	2%	None	\$25/sale before 10-1-06 None effective 10-1-06	3% Max. - \$50.00/ month or \$150.00/quarter
Edinburg ²	Sales, Use and Gross Receipts	4-1-99	176	1%	New farm machinery	\$25/sale	None
Elgin	Sales, Use and Gross Receipts	4-1-00	179	1%	None	\$25/sale	None
Male	Sales, Use and Gross Receipts	1-1-95	131	1%	Natural gas Coin-operated amusement	\$25/sale	3% Max. - \$50.00/ month or \$150.00/quarter
Enderlin	Sales, Use and Gross Receipts	10-1-98	166	1%	None	\$25/sale	None
Fairmount	Sales, Use and Gross Receipts	4-1-05	206	1%	None	None	None
Fargo	Sales, Use and Gross Receipts	1½% - 1-1-05 to 6-30-06 1% - 7-1-06 to 12-31-08 1½% - 1-1-09	105	1½%	Coin-operated amusement	\$37.50/sale before 7-1-06 \$25.00/sale 7-1-06 - 12-31-08 \$37.50/sale effective 1-1-09	None
Finley ³	Sales, Use and Gross Receipts	10-1-98	167	1%	Coin-operated amusement	\$25/sale	None
Forman	Sales, Use and Gross Receipts	1-1-09	221	1%	None	\$25/sale	None
Fort Ransom	Sales, Use and Gross Receipts	1-1-00	177	1%	None	\$25/sale	None
Gackle	Sales, Use and Gross Receipts	1-1-06	210	1%	Natural Gas	None	None

* Customers can request a refund of local sales or gross receipts tax based on the difference between the amount of city or county sales or gross receipts tax paid on a qualifying sales transaction and the amount identified as the "refund cap" for a specific city or county. A sale is determined by the seller's normal billing method. Each invoice issued by the seller is considered a sale and is subject to the appropriate refund cap.

City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Maximum Tax (Refund Cap)	Permit Holder Compensation
Morrison	Sales, Use and Gross Receipts	1% - 1-1-96 1% - 10-1-06	139	2%	Natural gas New farm machinery New farm irrigation equipment Coin-operated amusement	\$25/sale prior to 10-1-06 \$50/sale effective 10-1-06	None
Glenburn	Sales, Use and Gross Receipts	7-1-08	219	1%	None	\$25/sale	None
Glen Ullin	Sales, Use and Gross Receipts	1-1-07	212	1%	None	\$25/sale	None
Grafton ²	Sales, Use and Gross Receipts	1% - 1-1-91 1% - 4-1-07	107	2%	Natural gas New farm machinery New farm irrigation equipment	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Grand Forks	Sales, Use and Gross Receipts	7-1-00	101	1¼%	Natural gas New farm machinery New farm irrigation equipment Coin-operated vending sales of 99¢ or less 44% of gross receipts from coin-operated amusement	\$43.75/sale	5% Max. - \$166.67/ month or \$500.00/quarter
Grenora ⁴	Sales, Use and Gross Receipts	10-1-02	192	1%	Natural gas	\$25/sale	None
Gwinner	Sales, Use and Gross Receipts	4-1-05	207	1%	Natural gas	None	None
Halliday	Sales, Use and Gross Receipts	7-1-96	143	1%	None	\$25/sale	None
Lincoln	Sales, Use and Gross Receipts	10-1-97	158	1%	None	\$25/sale	None
Hannaford	Sales, Use and Gross Receipts	10-1-04	202	1%	Coin-operated amusement	\$50/sale	None
Harvey	Sales, Use and Gross Receipts	10-1-91	112	1%	Natural gas New farm machinery New farm irrigation equipment	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Harwood	Sales, Use and Gross Receipts	1-1-09	222	1%	None	\$25/sale	None
Hatton	Sales, Use and Gross Receipts	4-1-98	164	1%	Coin-operated amusement	\$25/sale	None
Hazelton	Sales, Use and Gross Receipts	10-1-00	180	1%	Natural gas Coin-operated amusement	\$25/sale before 1-1-07 \$35/sale effective 1-1-07	3% Max. - \$50/month or \$150/quarter
Hazen	Sales, Use and Gross Receipts	4-1-95	134	1%	New farm machinery New farm irrigation equipment	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Hettinger	Sales, Use and Gross Receipts	7-1-02	142	1%	New farm machinery	\$25/sale	None
Hillsboro	Sales, Use and Gross Receipts	1-1-03	168	2%	Coin-operated amusement	\$50/sale	None

* Customers can request a refund of local sales or gross receipts tax based on the difference between the amount of city or county sales or gross receipts tax paid on a qualifying sales transaction and the amount identified as the "refund cap" for a specific city or county. A sale is determined by the seller's normal billing method. Each invoice issued by the seller is considered a sale and is subject to the appropriate refund cap.

City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Maximum Tax (Refund Cap)	Permit Holder Compensation
Hope ²	Sales, Use and Gross Receipts	1-1-99	172	1%	Natural gas New farm machinery New farm irrigation equipment	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Hope ³	Sales, Use and Gross Receipts	1-1-01	185	1%	Coin-operated amusement	\$25/sale	None
Jamestown	Sales, Use and Gross Receipts	4-1-02	110	2%	Natural gas New farm machinery Coin-operated amusement	\$50/sale	None
Kenmare	Sales, Use and Gross Receipts	1% - 1-1-93 1% - 10-1-07	117	2%	Mobile homes Natural gas New farm machinery New farm irrigation equipment	\$25/sale before 10-1-07 \$50/sale effective 10-1-07	None
Killdeer	Sales, Use and Gross Receipts	1% - 4-1-95 ½% - 1-1-07	135	1½%	Natural gas New farm machinery	\$25/sale before 1-1-07 \$37.50/sale effective 1-1-07	None
Kulm	Sales, Use and Gross Receipts	1% - 4-1-98 1% - 10-1-07	165	2%	None	\$25/sale before 10-1-07 \$50/sale effective 10-1-07	None
Lakota	Sales, Use and Gross Receipts	1-1-07	213	1%	None	None	None
LaMoure	Sales, Use and Gross Receipts	1% - 1-1-97 ½% - 1-1-05	149	1½%	Natural gas New farm machinery	\$25/sale	None
Lisbon	Sales, Use and Gross Receipts	1% - 1-1-94 1% - 10-1-08	123	2%	Natural gas New farm machinery Coin-operated amusement	\$25/sale before 10-1-08 \$50/sale effective 10-1-08	3% Max. - \$83.33/ month or \$250.00/quarter
Larimore	Sales, Use and Gross Receipts	1-1-95	128	1%	None	\$25/sale	None
Leonard	Sales, Use and Gross Receipts	4-1-07	215	1%	None	None	None
Lidgerwood	Sales, Use and Gross Receipts	10-1-00	181	1%	None	\$25/sale	None
Linton	Sales, Use and Gross Receipts	1% - 10-1-93 1% - 10-1-06	121	2%	Natural gas Coin-operated amusement	\$25/sale before 10-1-06 None effective 10-1-06	3% Max. - \$50.00/ month or \$150.00/quarter
Lisbon	Sales, Use and Gross Receipts	1% - 7-1-95 ½% - 1-1-09	136	1½%	Natural gas New farm machinery New farm irrigation equipment	\$25/sale before 1-1-09 \$37.50 effective 1-1-09	None
Maddock	Sales, Use and Gross Receipts	10-1-02	193	1½%	None	\$25/sale	None
Mandan	Sales, Use and Gross Receipts	4-1-91	108	1%	Natural gas Coin-operated amusement	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter

* Customers can request a refund of local sales or gross receipts tax based on the difference between the amount of city or county sales or gross receipts tax paid on a qualifying sales transaction and the amount identified as the "refund cap" for a specific city or county. A sale is determined by the seller's normal billing method. Each invoice issued by the seller is considered a sale and is subject to the appropriate refund cap.

City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Maximum Tax (Refund Cap)	Permit Holder Compensation
Ileton	Sales, Use and Gross Receipts	7-1-07	218	1%	None	\$25/sale	None
Mayville	Sales, Use and Gross Receipts	1% - 1-1-97 1% - 7-1-03	150	2%	Coin-operated amusement	\$25/sale before 7-1-03 \$50/sale effective 7-1-03	None
McClusky	Sales, Use and Gross Receipts	1-1-96	140	1%	None	\$25/sale	None
McVile	Sales, Use and Gross Receipts	1-1-02	188	1%	New farm machinery Coin-operated amusement	\$25/sale	None
Medora	Sales, Use and Gross Receipts	4-1-02	178	2½%	None	\$25/single unit purchase	None
Michigan	Sales, Use and Gross Receipts	1% - 10-1-01 ½% - 4-1-04	187	1½%	None	\$25/sale	None
Milnor	Sales, Use and Gross Receipts	10-1-02	169	1½%	New farm machinery	\$25/sale	None
Minnewaukan	Sales, Use and Gross Receipts	1-1-07	214	1½%	Natural gas New farm machinery New farm irrigation equipment	None	None
Minot	Sales, Use and Gross Receipts	1-1-98	103	2%	Natural gas Mobile homes New farm machinery New farm irrigation equipment Coin-operated amusement	\$50/customer/day	5% Max. - \$83.33/ month or \$250.00/quarter
	Sales, Use and Gross Receipts	4-1-07	216	1%	Natural gas New farm machinery New farm irrigation equipment	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Mohall	Sales, Use and Gross Receipts	10-1-92	114	1%	New farm machinery	\$25/sale	None
Mott	Sales, Use and Gross Receipts	1% - 4-1-97 ½% - 4-1-04	153	1½%	None	\$25/sale	None
Munich	Sales, Use and Gross Receipts	1-1-99	173	1%	Natural gas Coin-operated amusement	\$25/sale	3% Max. - \$50.00/ month or \$150.00/quarter
Napoleon	Sales, Use and Gross Receipts	1% - 10-1-96 1% - 10-1-08	144	2%	Natural gas	\$25/sale before 10-1-08 \$50/sale effective 10-1-08	3% Max. - \$50.00/ month or \$150.00/quarter
Neché	Sales, Use and Gross Receipts	1% - 1-1-04 1% - 1-1-09	201	2%	Natural gas New farm machinery	\$25/sale before 1-1-09 \$50/sale effective 1-1-09	None
New England	Sales, Use and Gross Receipts	1% - 10-1-02 1% - 1-1-08	194	2%	None	\$25/sale before 1-1-08 \$100/sale effective 1-1-08	None
New Leipzig	Sales, Use and Gross Receipts	1-1-99	174	1%	None	\$25/sale	None

* Customers can request a refund of local sales or gross receipts tax based on the difference between the amount of city or county sales or gross receipts tax paid on a qualifying sales transaction and the amount identified as the "refund cap" for a specific city or county. A sale is determined by the seller's normal billing method. Each invoice issued by the seller is considered a sale and is subject to the appropriate refund cap.

City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Maximum Tax (Refund Cap)	Permit Holder Compensation
Rockford	Sales, Use and Gross Receipts	1% - 10-1-96 1% - 4-1-08	145	2%	None	\$25/sale before 4-1-08 \$50/sale effective 4-1-08	None
New Salem	Sales, Use and Gross Receipts	4-1-07	217	1%	None	None	None
Northwood	Sales, Use and Gross Receipts	1% - 1-1-03 ½% - 10-1-06	197	1½%	Coin-operated amusement	\$25/sale before 10-1-06 None between 10/1/06 and 1/1/07 \$37.50/sale effective 1-1-07	None
Oakes	Sales, Use and Gross Receipts	1% - 10-1-96 ½% - 10-1-03	146	1½%	None	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Oxbow	Sales, Use and Gross Receipts	1-1-02	189	1%	Coin-operated amusement	None	None
Page	Sales, Use and Gross Receipts	4-1-05	208	1%	None	\$25/sale	None
Park River ^{1,2}	Sales, Use and Gross Receipts	1% - 1-1-95 1% - 7-1-05	130	2%	New farm machinery Coin-operated amusement	\$25/sale	None
Pembina	Sales, Use and Gross Receipts	1-1-93	119	1%	None	\$25/sale	None
Portland	Sales, Use and Gross Receipts	1% - 1-1-97 1% - 7-1-03	151	2%	Coin-operated amusement	\$25/sale before 7-1-03 \$50/sale effective 7-1-03	None
St. Lake	Sales, Use and Gross Receipts	4-1-97	154	1%	Natural gas New farm machinery	\$25/sale	3% Max. - \$83.33/ month or \$250.00/quarter
Reeder	Sales, Use and Gross Receipts	1-1-03	198	1%	New farm machinery	\$25/sale	None
Regent	Sales and Gross Receipts Only	1-1-97	152	1%	None	\$25/sale	None
Richardton	Sales, Use and Gross Receipts Use tax effective 1-1-08	1% - 10-1-97 1% - 1-1-08	159	2%	None	\$25/sale before 1-1-08 \$100/sale effective 1-1-08	None
Rolette	Sales, Use and Gross Receipts	1-1-03	199	1%	None	\$25/sale	None
Rolla	Sales, Use and Gross Receipts	1% - 1-1-94 ½% - 10-1-04	125	1½%	New farm machinery	\$25/sale	None
Rugby	Sales, Use and Gross Receipts	1-1-93	118	1%	Natural gas New farm machinery New farm irrigation equipment	\$25/sale	3% Max. - \$50.00/ month or \$150.00/quarter
Scranton	Sales and Gross Receipts Only	4-1-02	190	1%	Natural gas	\$25/sale	None

* Customers can request a refund of local sales or gross receipts tax based on the difference between the amount of city or county sales or gross receipts tax paid on a qualifying sales transaction and the amount identified as the "refund cap" for a specific city or county. A sale is determined by the seller's normal billing method. Each invoice issued by the seller is considered a sale and is subject to the appropriate refund cap.

City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Maximum Tax (Refund Cap)	Permit Holder Compensation
John	Sales, Use and Gross Receipts	1-1-01	186	1%	Natural gas Coin-operated amusement	\$25/sale	3% Max. - \$83.33/month or \$250.00/quarter
Stanley	Sales, Use and Gross Receipts	10-1-95	137	1%	Natural gas New farm machinery	\$25/sale	3% Max. - \$83.33/month or \$250.00/quarter
Steele	Sales, Use and Gross Receipts	1% - 10-1-96 1% - 4-1-07	147	2%	None	\$25/sale	None
Strasburg	Sales, Use and Gross Receipts	4-1-93	120	1%	Natural gas Coin-operated amusement	\$25/sale	3% Max. - \$50.00/month or \$150.00/quarter
Streeter	Sales, Use and Gross Receipts	1-1-09	223	1%	None	None	None
Tioga ⁴	Sales, Use and Gross Receipts	1-1-95	132	1%	Natural gas New farm machinery	\$25/sale	None
Tower City	Sales, Use and Gross Receipts	10-1-02	195	1%	Natural gas New farm machinery	\$25/sale	None
Towner	Sales, Use and Gross Receipts	10-1-98	170	1%	Natural gas New farm machinery New farm irrigation equipment	\$25/sale	3% Max. - \$50.00/month or \$150.00/quarter
Turtle Lake	Sales, Use and Gross Receipts	10-1-00	182	1%	New farm machinery New farm irrigation equipment Natural gas Coin-operated amusement	\$25/sale	None
Underwood	Sales, Use and Gross Receipts	10-1-06	211	1½%	New farm machinery	None	None
Valley City	Sales, Use and Gross Receipts	1% - 1-1-92 ½% - 7-1-03 ½% - 7-1-07	113	2%	Natural gas New farm machinery	\$25.00/sale before 7-1-03 \$37.50/sale from 7-1-03 to 6-30-07 \$50.00/sale effective 7-1-07	None
Velva	Sales, Use and Gross Receipts	1% - 1-1-99 1% - 10-1-07	175	2%	Natural gas New farm machinery New farm irrigation equipment Coin-operated amusement	\$25/sale	None
Wahpeton	Sales, Use and Gross Receipts	10-1-99	111	1½%	Coin-operated amusement New farm machinery New farm irrigation equipment	\$25/sale	3% No maximum
Walhalla	Sales, Use and Gross Receipts	1% - 10-1-97 1% - 1-1-09	160	2%	Natural gas New farm machinery	\$25/sale before 1-1-09 \$50/sale effective 1-1-09	None
Washburn	Sales, Use and Gross Receipts	1% - 10-1-00 1% - 1-1-09	183	2%	Natural gas	\$25/sale	3% Max. - \$83.33/month or \$250.00/quarter

* Customers can request a refund of local sales or gross receipts tax based on the difference between the amount of city or county sales or gross receipts tax paid on a qualifying sales transaction and the amount identified as the "refund cap" for a specific city or county. A sale is determined by the seller's normal billing method. Each invoice issued by the seller is considered a sale and is subject to the appropriate refund cap.

City	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Maximum Tax (Refund Cap)	Permit Holder Compensation
Ord City	Sales, Use and Gross Receipts	10-1-98	171	1%	Natural gas New farm machinery Coin-operated amusement	\$25/sale	3% Max. -\$83.33/ month or \$250.00/quarter
West Fargo	Sales, Use and Gross Receipts	10-1-94	129	1%	Coin-operated amusement	\$25/sale	None
Williston ⁴	Sales, Use and Gross Receipts	1% - 7-1-91 1% - 4-1-03	109	2%	Natural gas New farm machinery New farm irrigation equipment Coin-operated amusement	\$25/sale before 4-1-03 \$50/sale effective 4-1-03	3% Max. - \$83.33/ month or \$250.00/quarter
Wilton	Sales, Use and Gross Receipts	10-1-00	184	1%	Natural gas	\$25/sale	3% Max. -\$83.33/ month or \$250.00/quarter
Wimbledon	Sales, Use and Gross Receipts	1-1-05	205	1%	Natural gas sales New farm machinery	\$25/sale	None
Wishek	Sales, Use and Gross Receipts	4-1-97	155	1%	New farm machinery New farm irrigation equipment	\$25/sale before 1-1-07 None effective 1-1-07	3% Max. \$83.33/ month or \$250.00/quarter
Woodworth	Sales, Use and Gross Receipts	1-1-09	224	1%	Natural gas Coin-operated amusement Coin-operated vending sales of 99 cents or less	\$30/sale	None

County	Tax Type	Current Rate Initiated	Location Code	Rate	Not Subject to Local Tax	*Maximum Tax (Refund Cap)	Permit Holder Compensation
Steele ³	Sales, Use and Gross Receipts	4-1-05	503	1%	Coin-operated vending sales of 99 cents or less Coin-operated amusement	\$25/sale	None
Walsh ²	Sales, Use and Gross Receipts	4-1-01	502	¼%	Natural gas New farm machinery New farm irrigation equipment	\$25/sale	None
Williams ⁴	Sales and Use Only	10-1-06	504	½%	New farm machinery New farm irrigation equipment Coin-operated vending sales of 99 cents or less Coin-operated amusement Alcoholic beverages	\$12.50/sale	None

¹ **Park River Rate:** From 1-1-05 through 6-30-05 the city sales tax rate was 2 percent and the use tax rate was 1 percent. Effective 7-1-05 both the sales, use and gross receipts tax are at 2 percent.

² **Walsh County:** Edinburg, Grafton, Hoople, Minto and Park River are located within Walsh County. The county sales, use and gross receipts tax is in addition to state and city sales, use and gross receipts tax.

³ **Steele County:** Finley and Hope are located within Steele County. The county sales, use and gross receipts tax is in addition to state and city sales, use and gross receipts tax.

⁴ **Williams County:** Grenora, Tioga, and Williston are located within Williams County. The county sales and use tax is in addition to state and city sales, use and gross receipts tax.

* Customers can request a refund of local sales or gross receipts tax based on the difference between the amount of city or county sales or gross receipts tax paid on a qualifying sales transaction and the amount identified as the "refund cap" for a specific city or county. A sale is determined by the seller's normal billing method. Each invoice issued by the seller is considered a sale and is subject to the appropriate refund cap.

STATE SALES TAXES

The Office of State Tax Commissioner has prepared a number of sales and use tax guidelines that provide a better understanding of the North Dakota sales and use laws. These guidelines are available on our web site at www.nd.gov/tax.

State Sales Tax Rates:

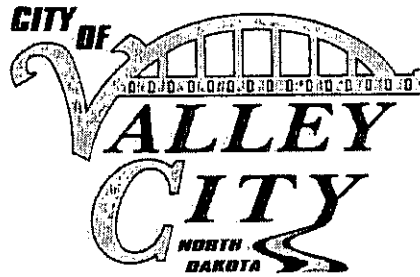
- 1 percent on the total receipts from retail sales of natural gas. Prior to 1-1-08 the rate was 2%.
- 3 percent on the total receipts from retail sales of new mobile homes. (Used mobile homes are exempt.)
- 5 percent on the total receipts from all other taxable retail sales of tangible personal property and services except where alcohol or farm machinery gross receipts taxes apply.

Gross Receipt Tax Rates:

- 3 percent on the gross receipts from retail sales of new farm machinery and new irrigation equipment used exclusively for agricultural purposes. (Used farm machinery and used irrigation equipment used exclusively for agricultural purposes are exempt.)
- 7 percent on the gross receipts from retail sales of alcoholic beverages sold for consumption either on or off-the-premises.
- * The 1 percent tax on the gross receipts from the leasing or renting of hotel, motel or tourist court accommodations for period of less than 30 consecutive days, excluding bed and breakfast accommodations is no longer applicable. It was in effect from 7-1-03 to 6-30-07.

Testimony 3
February 10, 2009

City Hall
64 2nd Ave NE
PO Box 390
Valley City, ND 58072-0390



Phone: 701-845-1700
Fax: 701-845-4588
www.valleycity.govoffice.com

February 9, 2009

Chairman Belter and Committee Members,

The City of Valley City is opposed to HB 1517. We have in place a 2% city sales tax. The citizens of Valley City have voted on this tax three times- the first vote provided 1% sales tax split between economic development, image and beautification and property tax relief. The second vote for a ½% increase in sales tax was passed by the voters to help finance the Hi-Liner Activity Center. The last successful vote provided ½% increase in sales tax for infrastructure projects to bring down special assessments for property owners.

The citizens of Valley City voted to put these sales taxes in place. They decided how the sales tax money would be used. This is an issue that should be decided on the local level. Please vote no on HB 1517 and let the local voters make their choice.

Sincerely,

Mayor, City of Valley City

House Bill 1517
House Finance and Taxation Committee

Attachment 4
Myles Vasberg
February 10, 2009

<u>City</u>	<u>Rate</u>	<u>Expiration Date</u>
Belfield	2%	None
Cando	2%	None
Devils Lake	2%	None
Drake	2%	None
Edgeley	2%	None
Grafton	2%	None
Kulm	2%	None
Linton	2%	None
Napoleon	2%	None
Neché	2%	None
New England	2%	None
New Rockford	2%	None
Park River	2%	None
Richardton	2%	None
Steele	2%	None
Walhalla	2%	None
Washburn	2%	None

City sales tax rates:

<u>Tax Rate</u>	<u>Number of Cities</u>
1%	75
1½%	17
1¾%	1
2%	29
2½%	1
Total	123

Bottineau	2%	1% 10/1/2011; 1% none
Garrison	2%	1% 1/1/2016; 1% none
Grand Forks	1¾%	¾% upon debt retirement; 1% none
Hillsboro	2%	1% upon bond retirement; 1% none
Jamestown	2%	1% 1/1/13; 1% 4/1/2022
Kenmare	2%	7/1/2018
Langdon	2%	1% 10/1/2018; 1% none
Mayville	2%	1% 1/1/2024; 1% none
Medora	2½%	½% after \$600,000 collected; 2% none
Minot	2%	7/1/2014
Portland	2%	1% 1/1/2024; 1% none
Valley City	2%	1% 1/1/ 2020; ½% 7/1/2023; ½% 7/1/2027
Velva	2%	1% 6/1/2014; 1% 1/1/2018
Williston	2%	1% 7/1/2010; 1% upon bond retirement

County sales tax rates:

Walsh	¼%
Williams	½%
Steele	1%

#1
Testimony to the Finance and Taxation Committee
Chairman Dwight Cook
Prepared by Cindy Hemphill, Finance Director
City of Minot
Cindy.hemphill@minotnd.org

*Same
testimony given
to House.*

HOUSE BILL No. 1517

Mr. Chairman and Vice Chairman, my name is Cindy Hemphill and I serve as the Director of Finance for the City of Minot. I am representing the City of Minot to encourage a DO NOT PASS on House Bill No. 1517.

Currently, the City of Minot has a two (2) percent sales tax. One cent is dedicated strictly to the Northwest Area Water Supply (NAWS) project. This one-cent sales tax does not have a specific sunset provision. It will expire, by terms of the ordinance, when the local (35%) share of the NAWS project is raised. The other one-cent sales tax is used by the City of Minot, per our City ordinance, for capital infrastructure, economic development, and property tax relief. This one-cent sales tax will sunset June 30, 2014.

The one-cent sales tax that sunsets on June 30, 2014 will undoubtedly be brought to the voters of Minot to renew this sales tax. The one-cent is vital to the City of Minot and the surrounding areas.

The portion of the one-cent sales tax used for capital infrastructure (50%) has gone toward such things as the North Central Research Center and Greenhouse, MSU Library, MSU Dome improvements, MSU Old Main improvements, Nelson Auditorium, urban/rural highway debt, community owned arena improvements, airport terminal construction and airport equipment building, etc. As you can see many of the items financed through this sales tax have a regional benefit.

The portion of the one-cent sales tax used for economic development (40%) goes toward economic development in our entire region. The MAGIC Fund has financed projects in Crosby, Ray, Velva, Mohall, Minot, Bottineau, Dunseith, Garrison, Harvey, Kenmare, Parshall, Rugby, Sawyer, Stanley, and Westhope. Marketing-match money has also been made available to every city in our region based on a demonstrated need.

The remaining portion (10%) goes directly to property tax relief. This portion is used to service the City's debt and reduces the mill levy necessary to fund the debt service.

The important point to remember regarding the sales tax is the citizens of Minot have voted to approve the sales tax. The citizens of Minot recognize the many benefits the sales tax provides to them.

Yes, the City has a two-cent sales tax. The two-cent sales tax demonstrates the citizens recognized the need for the NAWS project, which is a Northwest Regional project, and the need to fund capital infrastructure, economic development, and property tax relief. They understood fully when voting for the NAWS project that the sales tax will benefit them and many individuals outside the City limits. To effectively eliminate our ability to allow the citizens an opportunity to vote on continuing the one-cent sales tax that funds capital infrastructure, economic development, and property tax relief this bill takes away our citizens' ability to actively have input on how revenue may be raised to fund capital infrastructure, promote economic development, and provide property tax relief.

Again, we encourage a DO NOT PASS on House Bill No. 1517. Thank you for your consideration.

CITY OF JAMESTOWN



NORTH DAKOTA

OFFICE OF CITY ADMINISTRATOR
102 THIRD AVENUE SOUTHEAST
JAMESTOWN, ND 58401

PHONE 701/252-5900
FAX 701/252-5903
E-MAIL: JFUCHS@DAKTEL.COM
CELL: 701/320-8006

Date: March 23, 2009
To: Senate Finance and Taxation Committee
Re: HB 1517

Chairman Cook and members of the committee, my name is Jeff Fuchs, City Administrator, and on behalf of the City of Jamestown, I wish to provide the following comments in opposition to HB 1517.

In 1991 the voters of the City of Jamestown approved a 1 cent city sales tax with the proceeds dedicated to economic development and infrastructure for economic development. Since that time the proceeds have assisted many businesses in Jamestown, surrounding communities, and the rural area and have created many employment opportunities to not only city residents but area rural residents as well.

In 2000 the voters of the City of Jamestown approved an additional 1 cent sales tax with the proceeds dedicated to the repayment of bonds issued to finance the construction of a new high school and renovations to the middle school for the Jamestown Public School District. These facilities serve not only city school children but many rural Stutsman County school children as well.

We oppose the passage of HB 1517 for a number of reasons, such as:

- As a Home Rule City we feel that our local residents are in the best position to determine the needs of our local and area community.
- The majority of the voters participating in the elections establishing the 1 cent tax for economic development and the 1 cent tax to fund the school projects believed it was in the community's best interest to adopt both measures for the welfare of our community.
- Establishment of an election super majority of 60% or more in essence allows a minority of the electors to set aside or overrule the will of the majority in determining what is best for our community.
- As an alternative to higher property taxes the voters in many communities have very consistently and often voted to tax themselves through the use of a sales tax to finance the needs and services they

desire, or need, and for the legislature to now limit or remove this valuable resource would be contrary to the wishes of the majority of the electorate in these communities who have approved these measures.

- Limiting or removing the ability to use a city or county sales tax could, and probably would, leave increased property taxes, which has consistently been proven contrary to the public will, as one of the few available options to local government and communities to fund the infrastructure , services and needs of its citizenry.

For the above reasons we would encourage the committee to give this bill a "do not pass" recommendation and allow the residents in our communities to continue to decide what they determine to be in their best interests.

Should the Chairman or any member of the committee have any questions, feel free to let me know. I can be reached at 701-252-5900, or e-mailed at jfuchs@daktel.com.

Sincerely,

Jeff Fuchs

City Administrator



P.O. Box 1306
Williston ND 58802-1306
PHONE: 701-577-8100
FAX: 701-577-8880
TDD State Relay: 711

March 20, 2009

Senate Finance and Taxation Committee
State Capitol
Bismarck, North Dakota

RE: HB 1517

Dear Committee Members:

The City of Williston stands opposed to any bill that limits the voters' ability to approve sales tax as a revenue source. HB 1517 would limit Williston to a 1.5% sales tax, even though our voters have in the past approved a 2.0% sales tax. It is inappropriate to ask that a super majority (60%) is needed to go beyond the 1.5% cap. This allows a minority of the voters to decide the outcome rather than the majority. Our taxpayers are capable of making decisions on what they want and how they wish to pay for it without state oversight.

We hope you will stand with us in opposing this attempt to take local decision making away and replace it with a minority control process. We urge a "Do Not Pass" recommendation for HB 1517.

Sincerely,

E. Ward Koeser
President
Board of City Commissioners



Testimony on House Bill 1517
Senate Finance and Taxation Committee
March 23, 2009

Good Morning Mr. Chairman and members of the Senate Finance and Taxation Committee.

I apologize for my absence from your committee this morning. I have an unavoidable conflict with another important bill so I am taking this opportunity to offer my thoughts on House Bill 1517.

The city of Bismarck has several concerns regarding this bill and it requests the committee to assign a "Do Not Pass" recommendation to it as it is reported to the Senate floor.

Many cities have imposed a sales tax with the proceeds being used for various purposes. One thing is common to all these local sales taxes, however; the agreement by residents to impose the sales tax on themselves and to use the revenues in a prescribed fashion. The city of Bismarck would like to see that local option retained with a majority vote of the citizens. The 60 percent majority provided in the bill invites a minority of residents to make decisions for the majority. This provisions stands in contrast to the simple majority needed for most decisions.

In Bismarck, the local sales tax is used for economic development opportunities in Bismarck as well as other cities in the region. It is also used for substantial property tax relief. A recent innovation has also allowed the fund to be used to match resident participation in the conversion of post-war armor-coat pavement streets into full depth asphalt streets. These projects provide a substantial return on the investment of local sales tax dollars in Bismarck and in the region.

The city of Bismarck stands in opposition to the constraints on local sales tax imposed by House Bill 1517 and it respectfully requests the committee to give it a "Do Not Pass" recommendation.

Thank you.

Submitted by
Bill Wocken, City Administrator
On behalf of the Bismarck City Commission

House Bill 1517
House Finance and Taxation Committee

City	Rate	Expiration Date
Belfield	2%	None
Cando	2%	None
Devils Lake	2%	None
Drake	2%	None
Edgeley	2%	None
Grafton	2%	None
Kulm	2%	None
Linton	2%	None
Napoleon	2%	None
Neché	2%	None
New England	2%	None
New Rockford	2%	None
Park River	2%	None
Richardton	2%	None
Steele	2%	None
Walhalla	2%	None
Washburn	2%	None

Don't need
A RATE of
People

2% Lodging - Visitor
1% Food/Tax - Visitor

City sales tax rates:

Tax Rate	Number of Cities
1%	75
1½%	17
1¾%	1
2%	29
2½%	1
Total	123

Bottineau	2%	1% 10/1/2011; 1% none
Garrison	2%	1% 1/1/2016; 1% none
Grand Forks	1¾%	¾% upon debt retirement; 1% none
Hillsboro	2%	1% upon bond retirement; 1% none
Jamestown	2%	1% 1/1/13; 1% 4/1/2022
Kenmare	2%	7/1/2018
Langdon	2%	1% 10/1/2018; 1% none
Mayville	2%	1% 1/1/2024; 1% none
Medora	2½%	½% after \$600,000 collected; 2% none
Minot	2%	7/1/2014
Portland	2%	1% 1/1/2024; 1% none
Valley City	2%	1% 1/1/ 2020; ½% 7/1/2023; ½% 7/1/2027
Velva	2%	1% 6/1/2014; 1% 1/1/2018
Williston	2%	1% 7/1/2010; 1% upon bond retirement

County sales tax rates:

Walsh	¼%
Williams	½%
Steele	1%



**Testimony of Bill Shalhoob
Economic Development Association of North Dakota
HB 1517
March 23, 2009**

Mr. Chairman and members of the committee, my name is Bill Shalhoob. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations. We are asking that you oppose HB 1517.

Many of the local development efforts in North Dakota are directly tied to local sales tax collections. Like it or not the competitive environment at the regional and national effort require incentives to secure new businesses. As a matter of policy the legislature requires local public and private matches to access state programs. Political subdivisions have come to rely on their local sales tax to replace property taxes, provide needed upgrades to infrastructure and take care of economic development needs. All of these taxes were enacted with a vote of the residents of the political subdivision and tax proposals have been rejected when they have not represented the will of the voters.

A civics professor once told me the true definition of a democracy is the willingness of the minority to be governed by the majority. I believe this is true and by extension it does not mean the willingness to be governed by the super majority as the 60% requirement in HB 1517 provides. The result of the change is 41% of voters dictate what 59% of voters are in favor of. Our current election cycles and laws provide adequate checks and balances at the local level and gives political subdivisions the ability to meet constituent needs.

EDND believes HB 1517 unnecessary restricts local option in North Dakota. We urge a do not pass. I would be happy to answer any questions.